


AR24

THE TORONTO IRON WORKS LIMITED



1970 ANNUAL REPORT



Digitized by the Internet Archive
in 2023 with funding from
University of Alberta Library

https://archive.org/details/Toro1277_1970

highlights

THE TORONTO IRON WORKS, LIMITED

	<u>1970</u>	<u>1969*</u>
Sales	\$16,740,971	\$15,815,681
Consolidated profit before extraordinary items	\$ 647,726	\$ 821,663
Per share	\$ 1.61	\$ 2.05
Consolidated net profit after extraordinary items	\$ 626,550	\$ 1,062,550
Per share	\$ 1.56	\$ 2.65
Working capital	\$ 1,839,890	\$ 991,239
Shareholders equity	\$ 4,160,593	\$ 3,534,043
Per share	\$ 10.36	\$ 8.80
Number of shares outstanding	401,568	401,568
Number of shareholders	273	271

*Restated as per note 3

directors and officers

directors

John B. Clements, Q.C.

Partner, Lash, Johnston, Sheard & Pringle

George B. Kimpton

Treasurer and Director, Toronto Star Limited

Henry E. Langford, Q.C.

Chairman and President, The Toronto Iron Works, Limited

George I. MacKenzie

Retired Executive

William P. Petrie, C.A.

Vice-President and Secretary-Treasurer, The Toronto Iron Works, Limited

Merrill C. Stafford

Retired Executive

William A. Stewart

Senior Vice-President, Midland-Osler Securities Limited

officers

Henry E. Langford, Q.C.

Chairman and President

Lawrence R. Wright

Executive Vice-President

William P. Petrie, C.A.

Vice-President and Secretary-Treasurer

Donald M. Cameron

Vice-President and General Manager, Central Bridge Division

Gerald F. Carr

Vice-President and Assistant General Manager,
Plate Fabrication Division

Stewart L. Kerby

Vice-President and Assistant General Manager,
Plate Fabrication Division

E. A. Shillington, C.A.

Comptroller

bankers

The Bank of Nova Scotia

Bank of Montreal

transfer agent and registrar

Canada Permanent Trust Company,
1901 Yonge Street, Toronto 295

auditors

Clarkson, Gordon & Co., Chartered Accountants,
Toronto Dominion Centre, Toronto 111

THE TORONTO IRON WORKS, LIMITED

629 Eastern Avenue, Toronto 8

report of the board of directors

TO THE SHAREHOLDERS:

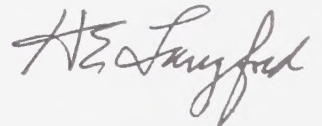
Your directors present herewith the Annual Report of The Toronto Iron Works, Limited for the year ended December 31st, 1970.

The results as shown in the statements were quite satisfactory and represent another successful year's operation for the Company. The problem of constantly increasing costs did have some effect on our results and it is to be hoped that a solution to this universal difficulty will be found by the Government before too long. Reference is made to Note 3 for an explanation of the re-statement of the 1969 figures which appear in the Highlights attached.

The Algoma debenture referred to in paragraph 5(iv) has been discharged. This means that the Company has now paid off all of the old indebtedness dating back prior to the interim receivership.

The year 1971 to date has been quite satisfactory and the Company expects that its sales for the full year will exceed those of the year 1970.

On behalf of the Board,



Chairman

June 8th, 1971

consolidated balance sheet

December 31, 1970

(with comparative figures as at December 31, 1969—note 3)

ASSETS

	<u>1970</u>	<u>1969</u>
Current :		
Cash	\$ 88,312	\$ 134,442
Bank deposit receipts		1,750,000
Accounts receivable, including holdbacks	5,374,283	4,344,150
Inventories, at lower of cost and net realizable value—		
Contracts in process (less advance billings— 1970—\$4,153,083 ; 1969—\$1,921,156) (note 1 (b))	814,753	665,816
Steel and supplies	924,390	806,183
	<u>1,739,143</u>	<u>1,471,999</u>
Prepaid expenses	109,433	89,216
Total current assets	<u>7,311,171</u>	<u>7,789,807</u>
 Investment in unconsolidated subsidiary company (note 2)	 <u>1</u>	 <u>1</u>
 Fixed (note 6) :		
Land, buildings and equipment, at cost	7,942,032	7,786,197
Less accumulated depreciation	5,488,338	5,079,402
	<u>2,453,694</u>	<u>2,706,795</u>
	<u>\$ 9,764,866</u>	<u>\$10,496,603</u>

On behalf of the Board :

H. E. Langford, Director

W. P. Petrie, Director

THE TORONTO IRON WORKS, LIMITED
and its subsidiary company T.I.W. Western Limited
(Incorporated under the laws of Ontario)

LIABILITIES

	<u>1970</u>	<u>1969</u>
Current :		
Accounts payable and accrued charges—		
Current	\$ 1,862,024	\$ 2,336,963
Pre-receivership (note 4)		3,801,801
9% debenture due March 31, 1971 (notes 4 and 5)	2,010,303	
Sales, income and other taxes payable	387,954	227,804
Deferred income taxes—current portion	1,211,000	432,000
Total current liabilities	<u>5,471,281</u>	<u>6,798,568</u>
Deferred income taxes	<u>52,000</u>	<u>83,000</u>
Excess of net book value of consolidated subsidiary over cost of shares	<u>80,992</u>	<u>74,992</u>
Minority Interest in preferred shares		<u>6,000</u>
Shareholders' Equity :		
Capital stock—		
Authorized :		
1,000,000 shares without par value		
Issued :		
401,568 shares	2,530,411	2,530,411
Retained earnings	1,630,182	1,003,632
	<u>4,160,593</u>	<u>3,534,043</u>
	<u>\$ 9,764,866</u>	<u>\$10,496,603</u>

(See accompanying notes)

THE TORONTO IRON WORKS, LIMITED

For the year ended December 31, 1970 (*with comparative figures for 1969—
note 3*)

CONSOLIDATED STATEMENT
OF SOURCE AND
DISPOSITION OF FUNDS

	<u>1970</u>	<u>1969</u>
Funds were provided from operations as follows:		
Net profit for the year	\$ 626,550	\$ 1,062,550
Add amounts included in arriving at net profit which did not involve an outlay (receipt) of funds:		
Depreciation	421,163	399,306
(Decrease) increase in non-current portion of deferred income taxes	(31,000)	83,000
Total funds from operations	<u>1,016,713</u>	<u>1,544,856</u>
Funds were expended on additions to fixed assets	<u>168,062</u>	<u>122,285</u>
Increase in working capital	848,651	1,422,571
Working capital (deficit), beginning of year	<u>991,239</u>	<u>(431,332)</u>
Working capital, end of year	<u>\$ 1,839,890</u>	<u>\$ 991,239</u>
Represented by:		
Current assets	\$ 7,311,171	\$ 7,789,807
Less current liabilities	<u>5,471,281</u>	<u>6,798,568</u>
	<u>\$ 1,839,890</u>	<u>\$ 991,239</u>

(See accompanying notes)

CONSOLIDATED STATEMENTS
OF INCOME AND
RETAINED EARNINGS

INCOME

	1970	1969
Sales	<u>\$16,740,971</u>	<u>\$15,815,681</u>
Operating profit for the year before the following deductions :	\$ 2,048,241	\$ 2,141,969
Depreciation	421,163	399,306
Interest on debenture	214,752	
	<u>635,915</u>	<u>399,306</u>
Profit before income taxes and extraordinary items	1,412,326	1,742,663
Deferred income taxes	764,600	921,000
Profit before extraordinary items	<u>647,726</u>	<u>821,663</u>
Extraordinary items :		
Receivership costs net of related income tax reductions of \$23,000 in 1970 and \$61,000 in 1969	(21,176)	(53,113)
Income tax reductions resulting from the carry-forward of losses of prior years		294,000
Net profit for the year	<u>\$ 626,550</u>	<u>\$ 1,062,550</u>
Earnings per share of capital stock :		
Profit before extraordinary items	\$ 1.61	\$ 2.05
Extraordinary items	(.05)	.60
Net profit	<u>\$ 1.56</u>	<u>\$ 2.65</u>

RETAINED EARNINGS

Retained earnings (deficit), beginning of year :		
As previously reported	\$ 812,304	\$ (58,918)
Prior period adjustment (note 3)	191,328	
As restated	1,003,632	(58,918)
Net profit for the year	626,550	1,062,550
Retained earnings, end of year	<u>\$ 1,630,182</u>	<u>\$ 1,003,632</u>

(See accompanying notes)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1970

1. Accounting policies

(a) Basis of consolidation—

The accounts of the Company have been consolidated with those of its wholly-owned subsidiary T.I.W. Western Limited but do not include those of another wholly-owned subsidiary Wimco Steel Sales Co. Limited for the reasons set out in note 2.

(b) Accounting for construction contracts—

The Company follows the "completed contract" method of accounting and accordingly takes up profits on contracts only when the final stage of completion has been reached ; any losses on contracts are provided for as soon as such become apparent.

2. Unconsolidated subsidiary

Wimco Steel Sales Co. Limited, a wholly-owned subsidiary, was in bankruptcy during the year ended December 31, 1970 and operated under the direction of the receiver and manager appointed in 1968 by the Court. At the time Wimco Steel was adjudged bankrupt in 1968, the Company's investment in the shares of that company was written down to \$1. A proposal made by Wimco Steel to its creditors on October 20, 1970 was subsequently approved by them. On February 17, 1971, the Supreme Court of Ontario annulled the bankruptcy and the Company reassumed control of its operations.

At the time of the annulment in 1971, the Company guaranteed two floating charge debentures of Wimco Steel held by Traders Realty Limited. The principal amount owing under the debentures at that date was \$641,686. On April 16, 1971 these debentures were purchased by the Company from Traders Realty Limited at the then outstanding balance of \$610,984. To finance such purchase, the Company arranged a term bank loan at an interest rate of 2% above the prime bank rate and, as security therefore, has pledged the acquired debentures to the bank.

Financial statements of Wimco Steel for the year ended December 31, 1970 show an operating profit for the year of \$3,000 before extraordinary items and a net loss for the year of \$36,000. The statements reflect total assets of \$5,576,000, total liabilities (including the floating charge debentures referred to above) of \$5,193,000, and shareholders' equity of \$383,000. However, a number of uncertainties exist concerning the valuation of certain material assets and liabilities of Wimco Steel, the effect of which cannot be determined at this time. Because of the possible material effect of these uncertainties on the determination of the financial position and operating results of Wimco Steel, its auditors are unable to express an opinion on the financial statements. Accordingly, the accounts of this subsidiary have not been consolidated with those of the Company and no adjustment has been made in the carrying value of \$1 for the shares of this subsidiary.

3. Restatement of 1969 comparative figures

Subsequent to December 31, 1970, the Company concluded negotiations to recover substantial extra costs incurred due to adverse construction conditions beyond the Company's control in respect of a series of projects completed in 1969, 1970 and early 1971. 1969 operating results and financial position have been restated to reflect the portion of such cost recoveries related to 1969 project completions, which increases net income for that year by \$191,328 or \$.48 per share.

4. Termination of interim receivership

By order of the Supreme Court of Ontario in Bankruptcy dated February 12, 1970, the petition in bankruptcy filed against the Company on December 29, 1967 was dismissed and the appointment of the interim receiver terminated. Concurrently the Company discharged all of its pre-receivership liabilities, except for an amount of \$2,610,303 owing to The Algoma Steel Corporation, Limited, for which that company agreed to accept deferred payment terms on the security of a debenture (see note 5(iv)). The Company also pledged debentures as security to certain persons and corporations of which those currently outstanding are described in note 5.

5. Debentures

Each of the debentures referred to in note 4 creates a fixed charge on the Company's realty and the equipment thereon and a floating charge on the other assets of the Company as security for any amounts which may be owing under the debentures. Debentures pledged by the Company which are currently outstanding are as follows:

(i) First priority—

Series A debentures of \$750,000 to each of the Bank of Montreal and the Bank of Nova Scotia as collateral security for any future borrowings by the Company from such banks;

(ii) Second priority—

Western Surety Company to the extent of \$3,000,000 as collateral security for the indemnification given to it to obtain performance bonds during interim receivership;

(iii) Third priority—

Lawrence R. Wright, William P. Petrie, Benton Dixon, Harry Johnston, George B. Kimpton and John B. Clements, directors and former directors of the Company, to the extent of \$200,000 in the aggregate as collateral security for the indemnification given to them as directors and officers of the Company during interim receivership; this indemnity covers costs which these individuals may incur in defending a derivative action for damages brought by a shareholder. While the Company is a party defendant in this action, no Company liability should

result as any damages awarded would accrue to the benefit of the Company. In the opinion of special counsel for the directors and counsel for the Company, the action is without merit and is improperly brought because of the lack of status of the plaintiff;

(iv) Fourth priority—

The Algoma Steel Corporation, Limited as collateral security for the payment to it of \$2,010,303 on March 31, 1971 with interest at 9%, which debenture was renewed on March 31, to become due on October 31, 1971, with interest at 8¾%. The principal outstanding at May 25, 1971 was \$1,000,000.

6. Fixed assets

At December 31, fixed assets consist of the following:

	<u>1970</u>	<u>1969</u>
Land	\$ 202,845	\$ 202,845
Buildings	2,515,667	2,493,991
Equipment	5,223,520	5,089,361
	<u>7,942,032</u>	<u>7,786,197</u>
Less accumulated depreciation	5,488,338	5,079,402
	<u>\$2,453,694</u>	<u>\$2,706,795</u>

Depreciation is being provided on the diminishing balance basis at the following rates:

Buildings—5% – 10%
Equipment—shop – 20%
 —field – 30%

7. Contingent assets and liabilities

Contingent asset—

The Company commenced an action in 1968 claiming additional charges from a customer in respect of a construction contract. This action has not yet been tried and the financial statements reflect no revenue from this claim.

Contingent liabilities—

- (a) Following the petition in bankruptcy against the Company in December 1967, certain shareholders commenced litigation against two suppliers and certain of their directors and officers and against certain of the Company's directors and former directors, for damages. This is the derivative action referred to in note 5(iii) above.

- (b) A claim for damages has been made against the Company by a customer, which in the opinion of the Company's counsel should not give rise to any significant liability.

8. Remuneration of directors and officers

The aggregate direct remuneration paid by the Company and its subsidiary to directors and senior officers (as defined by The Business Corporations Act, Ontario) amounted to \$165,963 in 1970 and \$158,878 in 1969.

AUDITORS' REPORT

To the Shareholders of The Toronto Iron Works, Limited :

We have examined the consolidated balance sheet of The Toronto Iron Works, Limited and its subsidiary company, TIW Western Limited, as at December 31, 1970 and the consolidated statements of income, retained earnings and source and disposition of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated statements present fairly the financial position of the companies as at December 31, 1970 and the results of their operations and the source and disposition of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

We further report that The Clarkson Company Limited, the interim receiver whose appointment by the Court was terminated during 1970 (note 4), is associated with our firm.

Toronto, Canada,
May 25, 1971.

Chartered Accountants

THE TORONTO IRON WORKS, LIMITED

629 EASTERN AVENUE
TORONTO 8, ONTARIO, CANADA

AR24

NOTICE OF ANNUAL AND GENERAL MEETING OF SHAREHOLDERS

NOTICE is hereby given that an annual and a general meeting of the shareholders of The Toronto Iron Works, Limited will be held in the Quebec Room of the Royal York Hotel, 100 Front Street West, Toronto, Ontario, Canada, on Wednesday, the 11th day of February, 1970, at the hour of 3:30 o'clock in the afternoon (Eastern Standard Time) for the following purposes:

- (a) to receive the financial statements of the Company for the financial years ended on the 31st day of December, 1967 and on the 31st day of December, 1968 together with the reports of the Company's auditors thereon;
- (b) to consider and, if thought fit, confirm and approve a resolution passed by the directors on the 28th day of January, 1970, a copy of which is reproduced as part of the information circular accompanying this notice, respecting a proposed agreement between the Company and The Algoma Steel Corporation, Limited;
- (c) to consider and, if thought fit, confirm and approve a resolution passed by the directors on the 28th day of January, 1970, a copy of which is reproduced as part of the information circular accompanying this notice, respecting the giving of security to Messrs. William P. Petrie, Harry Johnston, George B. Kimpton and John B. Clements, directors of the Company, and Messrs. Benton Dixon and Lawrence R. Wright, former directors of the Company;
- (d) to consider and, if thought fit, confirm, with or without variation, a resolution passed by the directors on the 28th day of January, 1970 respecting a decrease in the number of directors from ten to seven;
- (e) to elect directors;
- (f) to appoint auditors and authorize the directors to fix their remuneration; and
- (g) to act upon other matters which may properly come before the meeting.

If you are unable to attend the meeting in person kindly complete and execute the enclosed form of proxy and return the same to the Secretary of the Company, 629 Eastern Avenue, Toronto 8, Ontario, as soon as possible. An envelope for the return of the proxy is enclosed.

DATED at Toronto this 30th day of January, 1970.

BY ORDER OF THE BOARD

J. B. CLEMENTS,
Secretary.

Information Circular

This information circular is furnished in connection with the solicitation of proxies by the management of The Toronto Iron Works, Limited (hereinafter called the "Company") for use at the annual and general meeting of shareholders of the Company to be held in the Quebec Room of the Royal York Hotel, 100 Front Street West, Toronto, Ontario, Canada, on Wednesday, the 11th day of February, 1970 at the hour of 3:30 o'clock in the afternoon (Eastern Standard Time) for the purposes set forth in the notice of the meeting. The cost of solicitation will be borne by the Company.

VOTING OF PROXIES

A shareholder has the right to appoint a person (who need not be a shareholder) to attend and act for him and on his behalf at the meeting other than the persons designated in the enclosed form of proxy. To exercise this right the shareholder may insert the name of the desired person in the space provided in the form of proxy or may substitute another proper form of proxy.

To be used at the meeting proxies must be deposited with the Secretary of the Company at its Head Office, 629 Eastern Avenue, Toronto 8, Ontario, Canada, by 4:00 o'clock in the afternoon (Eastern Standard Time), on Monday, the 9th day of February, 1970.

The person giving the proxy has the power to revoke it at any time before its exercise by instrument in writing deposited with the chairman of the meeting.

EXERCISE OF DISCRETION BY PROXY HOLDERS

Shares represented by properly executed proxies in favour of the persons designated in the enclosed form of proxy will be voted in accordance with the specifications made in the proxy. With respect to amendments or variations to matters identified in the notice of the meeting and with respect to other matters which may properly come before the meeting, such shares will be voted by the persons so designated in their discretion. At the time of the printing of this information circular the management of the Company knows of no such amendments, variations or other matters to be presented for action at the meeting. The shares represented by the proxies will be voted and if a choice is specified in any proxy, the shares represented thereby will be voted in accordance with the choice so specified, subject to section 75 f. of The Corporations Act (Ontario) as amended.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The holders of shares of record at the time of the meeting will be entitled to vote such shares at the meeting. On the 15th day of January, 1970 there were outstanding 401,568 shares without par value each of which entitled the holder of record thereof to one vote.

On the 15th day of January, 1970 the following were, to the knowledge of the directors and senior officers of the Company, the beneficial owners, directly or indirectly, of shares carrying more than 10 per cent of the voting rights attached to the shares of the Company, as noted:

	Approximate number of equity shares beneficially owned directly or indirectly	Percentage of outstanding equity shares of the Company
Alan W. Moreton and John L. Biddell, the joint trustees of the Estate of Wimco Industries (Eastern) Limited, a bankrupt...	286,249 (Note 1)	71.28
Nuko Investments Limited.....	47,050 (Note 2)	11.72

NOTES:

1. Management has been advised by the joint trustees of the Estate of Wimco Industries (Eastern) Limited, a bankrupt, that the shares of the Company beneficially owned indirectly by them are registered on the books of the Company in the following names:

The Algoma Steel Corporation Limited	100,018 shares
Davidson & Company.....	12,715 shares ✱
Gee & Co.....	20,000 shares
Jones, Gable & Company Limited.....	23,140 shares ✱

G. W. Nicholson & Company Ltd.....	4,250 shares
Midland-Osler Securities Limited.....	25,025 shares
E. T. Lynch & Co.....	200 shares
E. T. Lynch & Co. Limited.....	1,575 shares
Bulman, Evans & Co. Limited.....	100 shares
J. B. Clements	2 shares
Henry E. Langford	2 shares
Donald B. Goodman.....	2 shares
E. A. Goodman.....	2 shares
Harry Johnston.....	1 share
George B. Kimpton	1 share
G. I. MacKenzie.....	1 share
W. P. Petrie.....	1 share
Gerald J. Shear.....	2 shares
W. A. Stewart.....	1 share
Lawrence R. Wright.....	1 share

Management has been further advised by the joint trustees of the said Estate of Wimco Industries (Eastern) Limited that Davidson & Company and Jones, Gable & Company Limited have disputed the beneficial ownership of the said joint trustees in the shares shown above as being registered in their respective names.

2. Management understands that a dispute exists between the joint trustees of the Estate of Wimco Industries (Eastern) Limited, a bankrupt, and Nuko Investments Limited with respect to the beneficial ownership of 21,000 of the 47,050 shares registered in the name of Nuko Investments Limited and that litigation has been commenced by the joint trustees in connection therewith.

ELECTION OF DIRECTORS

The following are the names of the persons for whom it is intended that votes will be cast for their election as directors pursuant to the proxy which is hereby solicited: J. B. Clements, Q.C., H. Johnston, G. B. Kimpton, H. E. Langford, Q.C., G. I. MacKenzie, W. P. Petrie and W. A. Stewart.

The term of office for each director is from the date of the meeting at which he is elected until the annual meeting next following or until his successor is elected or appointed.

In the event that any vacancy occurs in the said list of nominees it is intended that discretionary authority shall be granted to vote the proxy for the election of any other person or persons as directors.

Information concerning nominees as directors:

Name and Principal Occupation	Periods during which served as a director	Approximate number of equity shares of Company beneficially owned directly or indirectly as at January 15, 1970
John B. Clements, Q.C., Partner, Lash, Johnston, Sheard & Pringle (barristers and solicitors); Secretary of the Company	April 3, 1958 to May 9, 1958 May 7, 1962 to April 22, 1963 April 6, 1964 to present	nil
Harry Johnston Comptroller of the Company	April 9, 1968 to July 5, 1968 October 18, 1968 to present	nil
George B. Kimpton Treasurer, Toronto Star Limited (newspaper publisher)	July 19, 1968 to present	nil
Henry E. Langford, Q.C., Corporate Director, President of the Company	December 11, 1969 to present	nil
George I. MacKenzie Retired Executive	November 12, 1969 to present	nil
William P. Petrie, C.A., Vice-President and Treasurer of the Company	March 28, 1968 to present	nil
William A. Stewart, Vice-President, Midland-Osler Securities Limited (investment dealers)	November 12, 1969 to present	nil

NOTES:

1. Mr. John B. Clements has been a partner in Lash, Johnston, Sheard & Pringle for more than five years.
2. Prior to becoming Comptroller of the Company in 1966, Mr. Harry Johnston had been a Divisional Accountant with General Steel Wares Limited (appliance manufacturers) for more than two years.
3. Prior to becoming Treasurer of Toronto Star Limited in 1969, Mr. George B. Kimpton carried on business as a management consultant for more than five years.
4. Prior to becoming President of the Company in 1969, Mr. Henry E. Langford had been Chairman of the Ontario Securities Commission from March 1967. Prior to becoming the Chairman of the Ontario Securities Commission Mr. Langford had been President of Eastern & Chartered Trust Company for more than three years.
5. Prior to his retirement in January, 1969, Mr. George I. MacKenzie had been President and Treasurer of Algonquin Building Credits Limited (building materials financier) since January 1967 and prior thereto had been an Industrial Advisor of the Bank of Montreal for more than two years.
6. Prior to becoming a Vice-President of the Company in 1966 Mr. William P. Petrie had been Treasurer of the Company for more than two years.
7. Mr. William A. Stewart has been a Vice-President of Midland-Osler Securities Limited for more than five years.

REMUNERATION OF MANAGEMENT AND OTHERS

The aggregate direct remuneration paid or payable by the Company and its subsidiaries to the directors and the senior officers of the Company during the Company's last completed financial year was \$157,900.

The estimated aggregate cost to the Company in the last completed financial year of all pension benefits proposed to be paid under the Company's pension plan in the event of retirement at normal retirement age, directly or indirectly, by the Company to the directors and senior officers of the Company is \$1,685.

MANAGEMENT CONTRACTS

By Agreement made the 14th day of September, 1966 between the Company, Wright Management Limited, Lawrence Wright and Larcau Investments Limited, the address of each of which, other than the Company, is 31 Lauderdale Drive, Willowdale, Ontario, the Company engaged Wright Management Limited and Wright Management Limited agreed to serve the Company as the Manager and Supervisor of the business operations of the Company wherever the same may be carried on. The Agreement further provided that Wright Management Limited would provide to the Company a senior executive officer and it was agreed that Mr. Lawrence R. Wright would be satisfactory as the senior executive officer of the Company under the terms thereof. The management engagement is to be for a period of 22 years from the 1st day of October, 1966 and is terminable, in the absence of cause or disability, by the Company on September 30 in each of the years 1973, 1978 and 1983 upon payment of compensation and severance remuneration. Until the Agreement is terminated the Company is required to pay to Wright Management Limited for the first year of services commencing on the 1st day of October, 1966, \$42,000 and for each year thereafter, until the Agreement is terminated, \$42,000 plus an annual increment of \$1,200. In addition to the foregoing the Company is required to provide the senior executive officer provided from time to time by Wright Management Limited with an automobile and disability and life insurance.

All of the equity shares of Wright Management Limited are beneficially owned by Larcau Investments Limited, all of the equity shares of which are beneficially owned by a trust known as "The Lawrence Wright Family Trust". The directors and senior officers of Wright Management Limited and Larcau Investments Limited are Lawrence R. Wright, Carole Ann Wright, 31 Lauderdale Drive, Willowdale and Shirley A. Wright, 52 Glenwood Crescent, Toronto. Since the 1st day of January, 1969 the amounts paid or payable by the Company to Wright Management Limited pursuant to the terms of the aforesaid Agreement total \$53,575.

By court order made the 29th day of December, 1967 The Clarkson Company Limited, Royal Trust Tower, Toronto Dominion Centre, Toronto 1, Ontario, was appointed interim receiver of the Company under Section 24 of the Bankruptcy Act. This order gave the interim receiver possession of the property of the Company and placed such interim receiver in control of the receipts and disbursements of the Company. The Company has paid nothing to The Clarkson Company Limited for any fees as interim receiver and no account for such services has yet been rendered to the Company. It is estimated that the total fees of The Clarkson Company Limited as interim receiver will amount to approximately \$215,000.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Management has been advised by Messrs. Alan W. Moreton and John L. Biddell, the joint trustees of the Estate of Wimco Industries (Eastern) Limited, a bankrupt, that it is their present intention, as soon as practicable, to offer for sale, by sealed tender and as a block, shares of the Company representing not less than 51% of the outstanding shares of the Company.

APPOINTMENT OF AUDITORS

The persons named in the enclosed form of proxy intend to vote for the reappointment of Messrs. Clarkson, Gordon & Co., chartered accountants, Toronto, as auditors of the Company to hold office until the next annual meeting of shareholders.

PARTICULARS OF MATTERS TO BE ACTED UPON

1. Resolution respecting proposed agreement with The Algoma Steel Corporation, Limited

The Company now has sufficient funds available to pay the outstanding claims as shown on the books of the Company of all creditors, other than the claims of The Algoma Steel Corporation, Limited, as at the 29th day of December, 1967 when The Clarkson Company Limited was appointed interim receiver of the property of the Company. The first matter to be acted upon, following the receipt of financial statements and auditor's reports, is the confirmation and approval of a resolution of the directors respecting a proposed agreement with The Algoma Steel Corporation, Limited which, if entered into, would result, inter alia, in a deferment of payment to The Algoma Steel Corporation, Limited of its claims until the 30th day of September, 1970, subject to the terms and conditions therein set forth. Management believes that if such agreement is entered into it will be possible to pay all such other outstanding claims of creditors and to obtain an order of the Supreme Court of Ontario in Bankruptcy permitting the dismissal of the petition for a receiving order now outstanding against the Company and terminating the appointment of The Clarkson Company Limited as interim receiver. Management also believes that in the event such an order is made the Company will be able to carry on its business in the ordinary course.

On the 28th day of January, 1970, the directors of the Company passed the following resolution:

"ON MOTION duly made, seconded and unanimously carried IT WAS RESOLVED that, subject to confirmation and approval by the shareholders of the Company:

- (a) the Company be and is hereby authorized to enter into an agreement with The Algoma Steel Corporation, Limited substantially in the form and terms of the draft agreement now submitted to this meeting and initialled by the chairman for identification;
- (b) any two directors of the Company be and they are hereby authorized, empowered and directed to execute and deliver, on behalf of and under the corporate seal of the Company, an agreement substantially in the form and terms of the draft agreement referred to in (a) above; and
- (c) each director of the Company be and is hereby authorized and empowered, on behalf and in the name of the Company, to execute and deliver any and all instruments or documents as may be permitted or required to implement the provisions or the intentions of the aforesaid form of agreement, each such instrument or document to be in such form and to contain such provisions as may be approved by any such director, the execution of such instrument or document in the name of the Company by any such director to be conclusive evidence of such approval."

A copy of the draft form of agreement referred to in the aforesaid resolution is annexed to this information circular as Schedule A.

The Clarkson Company Limited, as interim receiver of the property of the Company, has advised management that it believes that the entering into of the proposed agreement with The Algoma Steel Corporation, Limited is in the best interests of the Company, its creditors and its shareholders.

In view of the litigation which has been commenced by certain shareholders of the Company, involving among others, The Algoma Steel Corporation, Limited and certain of its directors and certain directors and former directors of the Company, it has been considered desirable by the Company and by The Algoma Steel Corporation, Limited that the proposed agreement between The Algoma Steel Corporation, Limited and the Company be confirmed and approved by the shareholders as a condition precedent to the execution thereof.

In the event of a negative vote by the shareholders, management intends to instruct Counsel to advise the Court in the bankruptcy proceedings presently outstanding against the Company that they have been unable to successfully effect a practical reorganization of the Company.

2. Resolution respecting the giving of security to certain Directors and former Directors

In addition to the indemnification provided to the directors and officers of the Company under the by-laws of the Company, by an agreement made as of the 14th day of August, 1968 between The Clarkson Company Limited as interim receiver of the property of the Company and Lawrence R. Wright, William P. Petrie, Benton Dixon, Harry Johnston, George B. Kimpton and John B. Clements, each of whom was then a director or officer of the Company, The Clarkson Company Limited agreed to indemnify and hold harmless such directors and officers to a total amount of \$200,000 from and against all claims for which claims in writing are first made prior to the 15th day of August, 1974 arising out of or connected with any act or omission by such directors or officers in connection with any act or deed to facilitate the execution or completion of transactions of sales of assets of the Company or requested by the interim receiver together with all legal costs and fees and reasonable disbursements in connection with the defence of any such claims. The interim receiver's contingent liability under the aforesaid agreement was incurred pursuant to an order of the Supreme Court of Ontario in Bankruptcy dated the 29th day of May, 1968 and was secured by an interim receiver's certificate in the amount of \$200,000 which constituted a charge upon the whole of the property of the Company. Pursuant to the aforesaid agreement, the said directors and officers have agreed to accept as alternative security for the interim receiver's certificate a fixed charge on the Company's realty and a floating charge on the remainder of the Company's assets, as contemplated by Schedule B hereto, in the event that the appointment of the interim receiver is terminated.

On the 28th day of January, 1970, the directors of the Company passed the following resolution:

"ON MOTION duly made, seconded and carried (Messrs. Clements, Johnston, Kimpton and Petrie declaring their interest and abstaining from voting) IT WAS RESOLVED that subject to confirmation by the shareholders of the Company:

- (a) the Company be and is hereby authorized to enter into an agreement with Lawrence R. Wright, William P. Petrie, Benton Dixon, Harry Johnston, George B. Kimpton, and John B. Clements substantially in the form and terms of the draft agreement now submitted to this meeting and initialled by the chairman for identification;
- (b) any two directors of the Company be and they are hereby authorized, empowered and directed to execute and deliver, on behalf of and under the corporate seal of the Company, an agreement substantially in the form and terms of the draft agreement referred to in (a) above; and
- (c) each director of the Company be and is hereby authorized and empowered, on behalf and in the name of the Company, to execute and deliver any and all instruments or documents as may be permitted or required to implement the provisions or the intentions of the aforesaid form of agreement, each such instrument or document to be in such form and to contain such provisions as may be approved by any such director, the execution of such instrument or document in the name of the Company by any such director to be conclusive evidence of such approval."

A copy of the draft form of agreement referred to in the aforesaid resolution is annexed to this information circular as Schedule B.

3. Resolution decreasing the number of Directors

On the 28th day of January, 1970, the directors of the Company passed the following resolution:

"ON MOTION duly made, seconded and unanimously carried IT WAS RESOLVED that the number of directors of the Company be and the same is hereby decreased from ten to seven."

The decrease in the board cannot take effect until the aforesaid resolution has been confirmed with or without variation by at least two-thirds of the votes cast at a general meeting of the shareholders of the Company duly called for that purpose.

Dated as of the 30th day of January, 1970.

**SCHEDULE A
TO
INFORMATION CIRCULAR**

THIS AGREEMENT made as of the day of February, 1970.

BETWEEN:

THE TORONTO IRON WORKS, LIMITED, a Company incorporated under the laws of the Province of Ontario and having its head office in the City of Toronto, in the said Province (hereinafter called "Toronto Iron")

OF THE FIRST PART

—and—

THE ALGOMA STEEL CORPORATION, LIMITED, a Company incorporated under the laws of the said Province of Ontario and having its head office in the City of Sault Ste. Marie, in the said Province (hereinafter called "Algoma")

OF THE SECOND PART

WHEREAS on the 29th day of December, 1967, a petition for a receiving order was filed against Toronto Iron by British Motor Holdings Canada Limited and contemporaneously therewith The Clarkson Company Limited was appointed interim receiver of the property of Toronto Iron pursuant to section 24 of the Bankruptcy Act; and

WHEREAS on the 29th day of December, 1967 Toronto Iron was indebted to Algoma in the amount of \$1,879,355 in respect of its trade accounts (the "Algoma trade indebtedness") which amount remains unpaid as of the date hereof; and

WHEREAS at the date hereof Toronto Iron is indebted to Algoma in the amount of \$600,000 in respect of principal on the promissory note of Toronto Iron dated the 20th day of May, 1966 in favour of Wimco Industries (Eastern) Limited (the "Note") together with accrued interest thereon at the rate of 7% per annum from the 1st day of January, 1967, which Note is now held by Algoma; and

WHEREAS Toronto Iron is desirous of making an application to the Supreme Court of Ontario in Bankruptcy for an order permitting the dismissal of the aforementioned petition for a receiving order and terminating the appointment of The Clarkson Company Limited as interim receiver of the property of Toronto Iron; and

WHEREAS Toronto Iron represents that it has sufficient funds available to pay all creditors, other than Algoma, the amounts shown on the books of Toronto Iron as owing to them by Toronto Iron as of the 29th day of December, 1967 (the "other 1967 indebtedness"); and

WHEREAS Toronto Iron represents that it will have sufficient funds available to meet its existing obligations and liabilities arising after the 29th day of December, 1967 as they come due and to carry on its business in the ordinary course; and

WHEREAS Toronto Iron has requested Algoma to extend the time of payment of the Algoma trade indebtedness and of the principal and interest on the Note, to limit its claims in respect of the Algoma trade indebtedness to \$1,879,355 and in respect of the Note to \$, to consent to the aforesaid application to the Supreme Court of Ontario in Bankruptcy for an order dismissing the aforementioned petition for a receiving order and terminating the appointment of The Clarkson Company Limited as interim receiver of the property of Toronto Iron and to consent to the payment of the other 1967 indebtedness and Algoma has agreed thereto subject to and on the terms and conditions hereinafter set forth.

NOW THEREFORE WITNESSETH that for the considerations hereinafter indicated Toronto Iron and Algoma hereby undertake and agree as follows:

1. Subject to and on the terms and conditions hereinafter set forth:

- (a) Algoma shall and does hereby extend until the 30th day of September, 1970 (the "due date") payment to Algoma by Toronto Iron of the Algoma trade indebtedness in the amount of \$1,879,355 and of the principal of the Note and accrued interest thereon to the date hereof in the total amount of \$, the aggregate of which amounts is \$ (the "Prime Indebtedness");
- (b) Algoma shall and does hereby consent to the payment on the date of closing, as hereinafter defined, of the other 1967 indebtedness;
- (c) subject to payment as provided in sub-paragraph (e) of this paragraph 1, Algoma shall and does hereby limit its claims in respect of the Algoma trade indebtedness and the principal of the Note and accrued interest thereon to the date hereof to the amount of the Prime Indebtedness, together with interest thereon payable quarterly at the rate of $9\frac{1}{2}\%$ per annum from the date hereof;
- (d) Algoma shall and does hereby consent to an application to the Supreme Court of Ontario in Bankruptcy for an order dismissing the petition for the receiving order filed against Toronto Iron by British Motor Holdings Canada Limited on the 29th day of December, 1967 and terminating the appointment of The Clarkson Company Limited as interim receiver of the property of Toronto Iron; and
- (e) Toronto Iron shall and does hereby covenant to pay to Algoma on or before the due date the Prime Indebtedness, together with interest thereon payable quarterly at the rate of $9\frac{1}{2}\%$ per annum from the date hereof until the date of payment.

2. Notwithstanding anything herein contained, the Prime Indebtedness together with interest thereon at the rate aforesaid from the date hereof shall immediately become due and payable on the occurrence prior to the due date of any event which would constitute an event of default under the terms of the Algoma Debenture as referred to in paragraph 3 hereof.

3. Toronto Iron shall execute and deliver on the date of closing an indenture of pledge (the "Pledge Agreement") between Toronto Iron and Algoma substantially in the form of the indenture of pledge attached hereto as Exhibit A and shall create and execute and shall deliver in accordance with the terms of the Pledge Agreement its debenture (the "Algoma Debenture") substantially in the form of the draft debenture annexed to the Pledge Agreement as Exhibit "A" thereto.

4. Toronto Iron shall have the right to grant security ranking in preference to and priority over the Algoma Debenture to the following persons and corporations in the priorities and amounts indicated in this paragraph 4:

FIRST PRIORITY: Bank of Montreal and Bank of Nova Scotia to the extent of \$1,500,000 in total;

SECOND PRIORITY: Western Surety Company to the extent of \$3,000,000;

THIRD PRIORITY: Messrs. Lawrence R. Wright, William P. Petrie, Benton Dixon, Harry Johnston, George B. Kimpton and John B. Clements to the extent of \$200,000 in the aggregate; and

FOURTH PRIORITY: The Clarkson Company Limited to the extent of \$1,500,000. (*) *(The two quarters debt)*

5. Until the Prime Indebtedness, together with interest thereon at the rate aforesaid, is paid in full, Toronto Iron shall for the periods hereinafter set out or, where no period is set out, then whenever from time to time requested to do so by Algoma, provide Algoma with the following information:

- (a) monthly unaudited and annual audited unconsolidated and consolidated balance sheets of Toronto Iron and its subsidiaries fully noted;
- (b) monthly unaudited and annual audited statements of profit and loss and statements of source and application of funds of Toronto Iron and its subsidiaries and separate statements of profit and loss in respect of the Plate Fabrication division and the Central Bridge division of Toronto Iron together with an analysis of the cost of sales for each such division;

- (c) monthly analyses of the accounts receivable and allowances for doubtful accounts of Toronto Iron and its subsidiaries showing:
 - (i) the total amounts of trade receivables, hold-backs included therein and the aging of trade receivables between current, thirty days, sixty days, ninety days, one hundred and twenty days and prior; and
 - (ii) other sundry receivables, such as outstanding advances, employees' accounts receivable and outstanding credit notes from suppliers;
- (d) monthly report of additions and disposals of fixed assets and, if requested by Algoma, a complete and full explanation respecting any such additions or disposals;
- (e) particulars of any service contracts entered into by Toronto Iron out of the ordinary course of business;
- (f) a weekly report respecting the cash position of Toronto Iron;
- (g) monthly certificate of the Treasurer of Toronto Iron as to net working capital of Toronto Iron;
- (h) monthly report respecting outstanding performance bonds;
- (i) half yearly unconsolidated and consolidated financial forecasts of Toronto Iron and its subsidiaries; and
- (j) such other information as Algoma may from time to time reasonably require.

With respect to the information which is to be provided monthly Toronto Iron shall provide such information no later than the 25th day of the succeeding month. With respect to the information which is to be provided weekly Toronto Iron shall provide such information no later than Wednesday of the succeeding week.

It is understood by Algoma and Toronto Iron that the foregoing information is confidential and shall not be used by Algoma for any purpose other than that of assessing its position from time to time as the holder of the Algoma Debenture.

6. The obligations of Algoma herein are subject to and conditional upon compliance with the following terms and conditions, and of all other terms and conditions hereof, any or all of which may be waived in writing by Algoma:

- (a) the accuracy and completeness, on the date of closing and until payment in full of the Prime Indebtedness together with interest thereon at the rate aforesaid, of all representations and warranties contained herein or delivered to Algoma pursuant to this Agreement;
- (b) the receipt by Algoma on or before the date of closing of:
 - (i) certified copies of resolutions passed by the directors of Toronto Iron authorizing Toronto Iron to enter into this Agreement and the Pledge Agreement and to create, execute and deliver the Algoma Debenture;
 - (ii) a certified copy of a resolution passed at a general meeting of the shareholders of Toronto Iron, called for the purpose, confirming and approving the resolution authorizing Toronto Iron to enter into this Agreement;
 - (iii) a duly executed copy of this Agreement, the Pledge Agreement and the Algoma Debenture;
 - (iv) evidence satisfactory to Algoma that Toronto Iron has obtained all requisite approvals or acceptances for filing as may be required by The Toronto Stock Exchange;
 - (v) evidence satisfactory to Algoma that all requisite approvals of this Agreement and of any actions contemplated hereby have been obtained from the Ontario Securities Commission;
 - (vi) an executed copy of an Agreement, in form and substance satisfactory to Algoma, made between Toronto Iron and a trust company or bank approved by Algoma, wherein Toronto Iron agrees to pay funds to a trust company or bank and such trust company or bank agrees to hold such funds for the purpose of paying in full the other 1967 indebtedness other than the Prime Indebtedness;

- (vii) a certificate of the President and the Treasurer of Toronto Iron that, other than the Agreement between Toronto Iron, Wright Management Limited, Larcaw Investments Limited and Lawrence Wright made the 14th day of September, 1966, and collective bargaining agreements, Toronto Iron is not a party to any written employment contract which cannot be terminated without penalty on not more than six months' notice;
- (viii) receipt by Toronto Iron of a written undertaking from The Clarkson Company Limited that it will act as financial adviser to Toronto Iron until the earlier of the 30th day of September, 1970, or until there has occurred a change in the ownership after the date hereof of more than 51% of the outstanding shares of Toronto Iron;
- (ix) evidence satisfactory to Algoma that the bankers of Toronto Iron are prepared to grant adequate lines of credit to Toronto Iron up to the 30th day of September, 1970;
- (x) evidence satisfactory to Algoma that the bankers of Toronto Iron have approved this Agreement, the terms hereof and the actions contemplated hereby;
- (xi) favourable opinion of Lash, Johnston, Sheard & Pringle, Counsel for Toronto Iron, in form and substance reasonably satisfactory to Algoma, that the payment of the other 1967 indebtedness, the extension of the payment of the Prime Indebtedness and the creation, execution and delivery to Algoma of the Algoma Debenture, the execution and delivery of this Agreement and the Pledge Agreement and the other security of Toronto Iron referred to herein, and the performance by Toronto Iron of its obligations under each thereof, shall not constitute a breach of or default under any order or judgment of any Court or any indenture, mortgage, deed of trust, agreement, by-law, letters patent, supplementary letters patent or any other instrument whatsoever to which Toronto Iron is known by its Counsel to be a party or by which it is bound and that Toronto Iron is entitled to execute, deliver and pledge the security referred to in paragraph 4 hereof;
- (xii) favourable opinion of Lash, Johnston, Sheard & Pringle, Counsel for Toronto Iron, in form and substance reasonably satisfactory to Algoma, as to the due authorization, execution and delivery by Toronto Iron of this Agreement and the Pledge Agreement and the creation, execution and delivery of the Algoma Debenture and the other security of Toronto Iron referred to in paragraph 4 hereof, and the legality, validity and enforceability of each thereof against Toronto Iron in accordance with its terms; and that the security of the Algoma Debenture constitutes a valid fixed and floating charge on the properties and assets of Toronto Iron charged thereby, free and clear of all prior encumbrances other than those set forth in or permitted by the Algoma Debenture;
- (xiii) favourable opinion of McMillan, Binch, Berry, Dunn, Corrigan & Howland, Counsel for Algoma, in form and substance reasonably satisfactory to Algoma, that each of this Agreement, the Pledge Agreement and the Algoma Debenture and the actions contemplated thereby, is legal, valid and binding on Toronto Iron and that the security of each of the Pledge Agreement and the Algoma Debenture is valid and enforceable in accordance with its terms and that neither thereof is subject to being invalidated or will give rise to any cause of action in any person against any of Algoma, Toronto Iron, the estate of Wimco Steel Sales Co. Limited, a bankrupt, or the estate of Wimco Industries (Eastern) Limited, a bankrupt, and in connection with giving such opinion, Counsel for Algoma as aforesaid may rely on the opinions of Counsel for Toronto Iron, the estate of Wimco Steel Sales Co. Limited, a bankrupt and the estate of Wimco Industries (Eastern) Limited, a bankrupt, respectively, in respect of each thereof as it considers necessary or desirable to enable Counsel for Algoma to give its opinion to Algoma as aforesaid;
- (xiv) evidence satisfactory to Algoma that normal bonding and credit facilities will be available to Toronto Iron; and
- (xv) evidence satisfactory to Algoma that The Clarkson Company Limited, as interim receiver of the property of Toronto Iron, has approved of this Agreement, the terms hereof and the actions contemplated hereby.

- (c) the holding on or before the date of closing by Toronto Iron of an annual and general meeting of its shareholders before which shall be laid the financial statements of Toronto Iron for the financial years ended on the 31st day of December, 1967 and on the 31st day of December, 1968, and at which the auditor's reports thereon shall be read, the directors and auditors set forth in the prepared information circular mailed to shareholders in connection with the said meeting shall have been elected and appointed and the resolutions set forth in the said prepared information circular shall have been approved by the required number of votes; and
 - (d) receipt by Toronto Iron on or before the date of closing of an order of the Supreme Court of Ontario in Bankruptcy permitting the dismissal of the petition for the receiving order filed against Toronto Iron by British Motor Holdings Canada Limited and terminating the appointment of The Clarkson Company Limited as interim receiver of the property of Toronto Iron.
7. Toronto Iron represents, warrants and covenants as follows:
- (a) Toronto Iron is a company duly incorporated and organized and validly existing in good standing under the laws of Ontario and has full power and authority to execute, deliver and perform this Agreement, the Pledge Agreement and the Algoma Debenture and the other security referred to in paragraph 4 hereof and any pledge thereof;
 - (b) the balance sheet and consolidated balance sheet of Toronto Iron as at the 30th day of November, 1969, and the related statement of income and retained earnings and consolidated statement of income and retained earnings, and the consolidated statement of source and disposition of funds for the 11 months ended the 30th day of November, 1969 including the schedules and notes thereto delivered to Algoma and signed by Messrs. W. P. Petrie and L. R. Wright are correct and complete and present fairly the financial position of Toronto Iron as at the said date and the results of operations of Toronto Iron as at the said date for the period involved and have been prepared in accordance with generally accepted accounting principles consistently applied. Since the said date, there have been no material adverse changes in the assets or liabilities of Toronto Iron from that set forth in its said balance sheet, except changes contemplated hereby or approved in writing by Algoma; and
 - (c) the amount shown on the books of Toronto Iron as at the date of closing, in respect of all indebtedness of Toronto Iron on the 29th day of December, 1967, other than the Prime Indebtedness, is and will be not more than \$1,190,613.

All representations and warranties made by Toronto Iron herein or in any certificate delivered pursuant hereto or in connection herewith shall survive the closing date. All statements contained in any certificate or other instrument delivered by Toronto Iron under this Agreement (including any statement contained in any opinion of its Counsel, Lash, Johnston, Sheard & Pringle, delivered hereunder) shall constitute representations and warranties made by Toronto Iron hereunder and the obligations of Algoma hereunder are conditional thereon.

8. Toronto Iron shall forthwith upon the execution of this agreement pay or cause to be paid the other 1967 Indebtedness to the creditors of Toronto Iron entitled thereto.

9. The transactions contemplated by this Agreement shall be closed as soon as practicable following the obtaining of an Order of the Supreme Court of Ontario in Bankruptcy permitting the dismissal of the petition for a receiving order filed against Toronto Iron by British Motor Holdings Canada Limited and terminating the appointment of The Clarkson Company Limited as interim receiver of the property of Toronto Iron, the date thereof being herein called the "date of closing".

10. This Agreement may be executed in any number of counterparts, each of which shall be an original, but such counterparts shall together constitute one and the same instrument.

11. Except as otherwise specifically provided herein, every notice at any time given pursuant to this Agreement shall be in writing and may be given by sending the same by prepaid registered mail to the address as indicated below and shall be deemed to have been received on the fourth business day next following the day of mailing thereof:

The Algoma Steel Corporation, Limited
Sault Ste. Marie, Ontario.
(Attention: Secretary)

The Toronto Iron Works, Limited,
629 Eastern Avenue,
Toronto 252, Ontario.
(Attention: Secretary)

12. No waiver of any breach of any term or condition under this Agreement shall operate as a waiver of the term or condition itself or of any subsequent breach thereof.

13. This Agreement shall be governed by and interpreted in accordance with the laws of the Province of Ontario.

14. Time shall be of the essence of this Agreement.

15. This Agreement shall enure to the benefit of and be binding upon Toronto Iron and Algoma and their respective successors and assigns, but shall not be assignable by either without the consent in writing of the other.

IN WITNESS WHEREOF Toronto Iron and Algoma have caused this Agreement to be executed and their corporate seals to be affixed hereto by their respective officers duly authorized in that behalf as of the day and year first above written.

THE TORONTO IRON WORKS, LIMITED

THE ALGOMA STEEL CORPORATION, LIMITED

EXHIBIT A

To the Agreement made as of the day of
February, 1970, between The Toronto Iron Works,
Limited and The Algoma Steel Corporation, Limited.

INDENTURE dated as of the day of February, 1970.

BETWEEN:

THE TORONTO IRON WORKS, LIMITED, a Company incorporated under the laws of the Province of Ontario and having its head office in the City of Toronto, in the said Province (hereinafter called "Toronto Iron")

OF THE FIRST PART

—and—

THE ALGOMA STEEL CORPORATION, LIMITED, a Company incorporated under the laws of the Province of Ontario and having its head office in the City of Sault Ste. Marie, in the said Province (hereinafter called "Algoma")

OF THE SECOND PART

WHEREAS by an Agreement (the "Principal Agreement") made as of the date hereof between Toronto Iron and Algoma, Algoma agreed, inter alia, to extend the time for payment of certain indebtedness in the amount of dollars (\$) (the "Prime Indebtedness") owing by Toronto Iron to Algoma as at the day of February, 1970, and to limit its claim against Toronto Iron in respect of the Prime Indebtedness to the amount thereof plus interest thereon from the date hereof, all as therein provided; and

WHEREAS it is a condition of Algoma so extending the time of payment of the Prime Indebtedness and so limiting its claim against Toronto Iron in respect thereof that Toronto Iron execute and deliver this Indenture of pledge accompanied by its debenture (the "Debenture") annexed hereto in favour of Algoma in the principal amount equal to the amount of the Prime Indebtedness and dated the date hereof;

NOW THEREFORE in consideration of the premises and other valuable consideration, receipt whereof is hereby acknowledged by Toronto Iron, this Indenture witnesseth as follows:

1. Pledge

In order to secure the payment of the Prime Indebtedness and interest thereon from the date hereof at the rate of nine and one-half percent ($9\frac{1}{2}\%$) per annum as provided for under the Principal Agreement and any other monies from time to time owing thereunder or hereunder, and the performance and observance of all the covenants and conditions on the part of Toronto Iron to be performed or observed under each of the Principal Agreement and this Indenture, Toronto Iron hereby conveys, assigns, transfers, delivers and pledges the Debenture to and in favour of Algoma.

2. Further Assurances

Toronto Iron hereby covenants and agrees with Algoma to deliver or cause to be delivered to Algoma from time to time at the reasonable request of Algoma, such instruments and other documents properly executed as may from time to time be required by Algoma for the purpose of vesting the Debenture, and the security thereby constituted, in Algoma and of enabling Algoma to enforce or realize on the Debenture or any part thereof or receive amounts payable in respect thereof, all in accordance with and subject to the terms and conditions of the Debenture and the security thereby constituted, and Toronto Iron hereby irrevocably constitutes and appoints the Treasurer or Secretary of Algoma together with an Assistant Treasurer or an Assistant Secretary of Algoma, for the time being, or any other person or persons duly appointed by them in writing, its true and lawful attorneys, with full power of substitution, to execute and deliver in its name any

such instruments or documents for such purposes; and every such instrument or document so executed and delivered shall be valid and binding on Toronto Iron to the same extent as if such instrument or document had been executed and delivered by properly authorized officers of Toronto Iron.

3. Toronto Iron Covenants

Toronto Iron hereby covenants and agrees with Algoma as follows:

- (a) Algoma may grant time, renewals, extensions, indulgences, releases and discharges to, take securities (which word used herein includes guarantees) from and give the same and any or all existing securities up to, abstain from taking securities from or from perfecting securities of, accept compositions from and otherwise deal with Toronto Iron and others and with all securities as Algoma may see fit;
- (b) Algoma shall not be bound to exhaust its recourse against Toronto Iron or others or any securities it may at any time hold before being entitled to realize on the Debenture; Toronto Iron renounces all benefits of discussion and division;
- (c) this Indenture shall not be affected by loss or diminution of capacity by Toronto Iron or by the amalgamation of Toronto Iron with any other corporation; and
- (d) all of the Prime Indebtedness shall be secured by the whole of the Debenture, notwithstanding any lack or limitation of status or of power, incapacity or disability of Toronto Iron or of the directors or agents thereof, or that Toronto Iron may not be a legal or suable entity or any irregularity, defect or informality in the incurring by Toronto Iron of the Prime Indebtedness.

4. Restriction on Algoma

Notwithstanding that the Debenture is expressed to be negotiable, Algoma agrees that, unless and until an event of default as set forth in section 7 of the Debenture shall occur, it will not sell, assign, pledge or otherwise dispose of or deal with the Debenture.

5. Default

If an event of default as set forth in section 7 of the Debenture shall occur, Algoma shall be entitled to exercise and enforce all the rights and remedies of the holder of the Debenture, free from any control of Toronto Iron, as fully and effectually as if Algoma were the absolute owner of the Debenture.

At any time during the continuance of such an event of default as aforesaid, Algoma shall have the right, in addition to and without limitation to any other rights provided by law or under either of the Principal Agreement or this Indenture, and without notice or protest to Toronto Iron or others, without demand for payment, without advertisement and without any other formality, all of which are hereby waived by Toronto Iron, to sell forthwith the Debenture by public or private sale, upon such terms and conditions as Algoma deems best, for cash or credit, or partly one and partly the other; provided that Algoma shall not be required under any circumstances to realize upon or allow to be sold the Debenture or any part thereof, and Algoma shall not be responsible for any loss occasioned by the sale thereof or by the retention of or refusal to sell the same, or to collect or to see to the payment of any amounts in respect thereof. In the event of any default by Toronto Iron as aforesaid, all costs, charges and expenses (herein collectively called "Recovery Costs"), including reasonable legal fees on a solicitor and client basis, of or incurred by Algoma in connection with the recovery or enforcement of payment of any of the moneys owing hereunder or on the Prime Indebtedness or interest thereon, including all costs, charges and expenses in connection with taking possession, protecting, preserving, collecting or realizing upon all or any part of the Debenture or the security constituted thereby, together with interest thereon at the rate of nine and one-half per cent ($9\frac{1}{2}\%$) per annum from the date of incurring such Recovery Costs shall be added to the Prime Indebtedness and shall be a first charge upon any moneys received on the sale or realization of the Debenture. In the event of any such sale, Toronto Iron shall be freed and discharged from any and all liability to Algoma in respect of the Prime Indebtedness.

6. Payment of Prime Indebtedness

So long as Toronto Iron is indebted to Algoma in respect of any amounts ("other indebtedness") other than the Prime Indebtedness and interest thereon or other monies payable to Algoma hereunder or under the Principal Agreement, all payments made by Toronto Iron to Algoma shall be on account of other indebtedness, unless Algoma has agreed in writing that a particular payment is accepted by Algoma in whole or in

part on account of the Prime Indebtedness, interest thereon or other monies payable hereunder. If at any time, all other indebtedness has been paid to Algoma, all payments by Toronto Iron to Algoma shall be applied first in respect of interest on the Prime Indebtedness or other monies payable hereunder, and the balance shall thereafter be applied on account of the Prime Indebtedness. So long as Algoma shall be the holder of the Debenture, all payments of interest on account of the Prime Indebtedness shall constitute payment of interest on the Debenture and all payments on account of the Prime Indebtedness to Algoma in the manner herein provided shall constitute payment of an equivalent principal amount of the Debenture, and Algoma agrees to note on the Debenture, prior to any sale, transfer or delivery thereof to any other person, that the principal amount thereof has been reduced to an amount which shall be equal to the then outstanding amount of the Prime Indebtedness and that the interest accrued under the Debenture has been reduced to an amount which shall be equal to the then outstanding amount of accrued interest on the Prime Indebtedness.

Upon payment as aforesaid by Toronto Iron to Algoma of the Prime Indebtedness in full together with all accrued interest thereon, at any time when Toronto Iron is not in default under the Principal Agreement or this Indenture or the Debenture, Algoma shall, when so requested by and at the expense of Toronto Iron, cancel and discharge the mortgage and charge under the Debenture and deliver up the Debenture to Toronto Iron and execute and deliver all such deeds, reconveyances and other assurances as shall be requisite and for such purpose.

7. Effect of Indenture

This Indenture shall enure to the benefit of and be binding upon Toronto Iron and Algoma and their respective successors and assigns.

IN WITNESS WHEREOF Toronto Iron and Algoma have executed this Indenture.

THE TORONTO IRON WORKS, LIMITED

THE ALGOMA STEEL CORPORATION, LIMITED

DEBENTURE

1. THE TORONTO IRON WORKS, LIMITED (hereinafter called "Toronto Iron") for value received, hereby acknowledges itself indebted and promises to pay to THE ALGOMA STEEL CORPORATION, LIMITED (hereinafter called the "Holder") on the 30th day of September, 1970 or earlier should the principal money hereby secured so become payable as herein provided, the sum of

Dollars (\$)

in lawful money of Canada at The Royal Bank of Canada, 20 King Street West, Toronto, Ontario, and to pay interest thereon from the date hereof on the days of May and August and on the 30th day of September in the year 1970 or earlier should the principal money hereby secured so become payable as herein provided at the rate of nine and one-half per centum (9½%) per annum, as well after as before maturity and both before and after default, in like money at the same place as well after as before maturity.

2. As security for payment of the principal of and interest on this Debenture and all other moneys from time to time owing hereunder or secured hereby:

- (a) Toronto Iron hereby mortgages and charges to and in favour of the Holder as and by way of a fixed and specific mortgage and charge, all real and immovable property (including leasehold lands, but subject to the reservation contained in section 6 hereof) now or hereafter owned or acquired by Toronto Iron, including all buildings, erections, improvements, fixtures, machinery, equipment and plant presently situate thereon or which may at any time hereafter be constructed or brought or placed thereon, or used in connection therewith, and including without limiting the generality of the foregoing, the lands described in Schedules "A" and "B" hereto, and all issued and outstanding shares now or hereafter owned or acquired by Toronto Iron in the capital of the Subsidiaries and any indebtedness of the Subsidiaries to Toronto Iron including the evidence thereof and any security therefor, and the benefit of all insurance and claims for insurance effected or held for the protection of Toronto Iron in respect of all or any part of the foregoing; the said real and immovable property, shares, indebtedness and insurance as aforesaid hereby mortgaged and charged as and by way of a fixed and specific mortgage and charge being sometimes hereinafter referred to as the "mortgaged premises"; and
- (b) Toronto Iron hereby charges in favour of the Holder as and by way of a floating charge, its undertaking and all its property and assets, real and personal, moveable and immovable, of whatsoever nature and kind, both present and future (other than property and assets hereby validly subjected to a fixed and specific mortgage and charge) including, without limiting the generality of the foregoing, its goodwill and uncalled capital; the said undertaking, property and assets charged as and by way of a floating charge being sometimes hereinafter referred to as the "charged premises"; provided that such floating charge shall in no way hinder or prevent Toronto Iron (until Toronto Iron shall be in default in any payment of principal and/or interest hereby secured or until the security hereby constituted shall have become enforceable and proceedings shall have been taken to enforce the same) from pledging, selling, alienating, assigning, charging, disposing of or dealing with the subject matters of such floating charge in the ordinary course of its business as at present conducted and for the purpose of carrying on the same, provided that any such action is not in breach of any express covenant herein contained and Toronto Iron covenants that it will not take any such action which is in breach of any express covenant herein contained.

Notwithstanding any provisions of this Debenture, this Debenture and the security hereby constituted shall be and are hereby subordinated and made subject in all respects to \$1,500,000 aggregate principal amount of the Series "A" Debentures of Toronto Iron held by the Bank of Montreal and the Bank of Nova Scotia (herein called the "Bank Debentures"), the \$3,000,000 collateral security of Toronto Iron held by Western Surety Company (herein called the "Western Debenture"), the \$200,000 collateral security of Toronto Iron held by Lawrence R. Wright, William P. Petrie, Benton Dixon, Harry Johnston, George B. Kimpton and John B. Clements jointly (herein called the "Directors' Debenture") and the \$1,500,000 collateral security of Toronto Iron held by The Clarkson Company Limited (herein called the "Clarkson Debenture"), all of the said Debentures being dated as of the date hereof and being herein collectively referred to as the "Prior Debentures", so that in the event the security hereby constituted becomes enforceable the principal, interest and all other moneys payable hereunder and the security hereby constituted shall rank after and junior to the principal, interest and all other moneys payable under the Prior Debentures and the respective se-

curities constituted thereunder as and by way of fixed and specific mortgages and charges on the mortgaged premises and floating charges on the charged premises, and the respective holders of the Prior Debentures shall receive the full amounts to which they are respectively entitled thereunder before any amount shall be paid or any property and assets of Toronto Iron shall be distributed to the Holder, its successor or assigns.

3. Toronto Iron hereby covenants and agrees that it will at all times do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered any and all such further acts, deeds, mortgages, hypothecs, transfers, assignments and mortgaging, hypothecating, charging, transferring, assigning and confirming unto the Holder, the property and assets hereby mortgaged and charged in accordance with and subject to the terms hereof or intended so to be or which Toronto Iron may hereafter become bound hereunder to mortgage, hypothecate, transfer, assign and charge in favour of the Holder and for the better accomplishing and effectuating of this Debenture.

4. Toronto Iron shall not and hereby covenants that it will not hereafter, without the consent in writing of the Holder first had and received:

- (a) create, assume or suffer to exist any mortgage, hypothec, deed of trust, pledge, encumbrance, lien or charge of any kind (including the charge upon property purchased under conditional sales or other title retention agreements) upon any of its property or assets whether now owned or hereafter acquired other than Permitted Encumbrances and the respective securities constituted by the Prior Debentures and this Debenture;
- (b) sell or dispose of all or any part of the mortgaged premises, or sell or dispose of all or any part of the charged premises out of the ordinary course of its business as at present conducted and for the purpose of carrying on the same;
- (c) make any loans to the Subsidiaries or make any loans, out of the ordinary course of its business as at present conducted, to others;
- (d) create, assume or suffer to exist any liability or liabilities to any bank or banks in excess of \$1,000,000 in total;
- (e) allot or issue any shares in the capital of Toronto Iron or change the character or attributes of the presently issued and outstanding shares in the capital of Toronto Iron;
- (f) make any capital expenditures in excess of \$15,000 per month provided that any portion thereof not so expended in any month may be so expended in any subsequent month or months;
- (g) declare or pay any dividends or make any distributions on any of the issued and outstanding shares in the capital of Toronto Iron;
- (h) apply for or obtain supplementary letters patent to increase or decrease the authorized capital of Toronto Iron or to amend or alter or change in any way whatsoever the letters patent or supplementary letters patent of Toronto Iron;
- (i) consolidate, amalgamate or merge with another company;
- (j) purchase securities (as defined in The Securities Act, 1966 of Ontario) other than bank deposit receipts and guaranteed investment certificates of Canadian banks or trust companies authorized to do business in Ontario;
- (k) borrow any moneys other than as provided in (d) above; or
- (l) enter into any lease as lessee of real or personal property having a term of more than two years if the annual rental thereunder together with the total annual rentals payable by Toronto Iron under all other such leases will exceed \$100,000 in any one year.

5. Toronto Iron hereby covenants and agrees with the Holder that, until all moneys owing hereunder are paid in full:

- (a) it will insure and keep insured the buildings, erections, improvements, machinery and all other assets hereby mortgaged and charged against loss or damage by fire and other insurable hazards against which such several assets are commonly insured in the Province of Ontario, to at least 80% of the insurable value thereof and will include the Holder as its interest may appear in all insurance policies forming part of the mortgaged premises;

- (b) it will keep the mortgaged premises in good condition and repair according to the nature and description thereof, and that the Holder may, whenever it deems necessary, either in person or by agent, enter upon and inspect the said premises and the Holder may make repairs as it deems necessary, and the cost of such inspection and such repairs shall be added to the principal amount secured by this Debenture;
- (c) it will pay or cause to be paid all rents, taxes, rates, levies or assessments, ordinary or extraordinary, government fees, dues or other obligations to pay money validly levied, assessed or imposed upon it or upon the mortgaged premises or the charged premises or any part thereof as and when the same become due and payable, save and except when and so long as the validity of any such rents, taxes, rates, levies, assessments, fees, dues or obligations to pay, is in good faith contested by Toronto Iron, and that it will exhibit when required the receipts and vouchers establishing such payment and will duly observe and conform to all valid requirements of any governmental or municipal authority relative to any of the mortgaged premises or charged premises and all covenants, terms and conditions upon or under which any of such premises are held;
- (d) it will fully and effectually maintain and keep maintained the security hereby constituted as a valid and effective security at all times so long as this Debenture shall be outstanding;
- (e) subject to the terms hereof, it will do, observe and perform or cause to be done, observed and performed all of its obligations and all matters and things necessary or expedient to be done, observed and performed by virtue of any law of Canada or any province or municipality thereof, and will do, observe and perform all the obligations hereby imposed upon it;
- (f) it will do, observe and perform all of its obligations and all matters and things necessary or expedient to be done, observed or performed under or by virtue of any lease, operating agreement, licence or other contract which may at any time form part of the mortgaged premises or charged premises or is appurtenant thereto, so long as the same is, in the opinion of the directors of Toronto Iron, of commercial value, in order to preserve and maintain all of the rights of Toronto Iron thereunder and that it will not suffer or permit any default for which any such lease, operating agreement, licence or contract might be terminated or for which any other party thereto might be relieved of any of its obligations thereunder or for which any obligations of any such party thereunder might be reduced, but on the contrary will exercise and enforce from time to time all its rights and remedies thereunder;
- (g) if and whenever from time to time so long as any amount owing under this Debenture shall be outstanding and unpaid Toronto Iron shall be entitled to obtain a renewal or renewals of any leases, licences, concessions, franchises or agreements forming part of the mortgaged premises or charged premises or appurtenant thereto or to obtain any new lease or leases of any premises leased to it forming part of the mortgaged premises or charged premises or appurtenant thereto or to obtain any new licences, concessions, franchises or agreements, Toronto Iron will from time to time duly exercise or cause to be exercised every such right of renewal, if it shall deem the same to be of value to its operations, and will obtain or cause to be obtained such new leases, licences, concessions, franchises or agreements for the longest time or times, if advantageous, and upon the most favourable terms obtainable, including all rights of further renewal; provided always that the inadvertent failure to obtain any such renewal or such new leases, licences, concessions, franchises or agreements shall not constitute a breach of this covenant; and
- (h) it will diligently maintain, use and operate, or will cause to be maintained, used and operated, the mortgaged premises and the charged premises and will carry on and conduct its business in a proper and efficient manner so as to preserve and protect the mortgaged premises and the charged premises and the earnings, incomes, rents, issues and profits thereof.

6. The last day of any term of years reserved by any lease, verbal or written, or any agreement therefor, now held or hereafter acquired by Toronto Iron is hereby excepted out of any mortgage or charge created hereby or by any other instrument supplemental hereto and does not and shall not form part of the property hereby or by any such other instrument mortgaged or charged so as to be charged with the moneys intended to be secured hereby, but Toronto Iron shall stand possessed of the reversion remaining in Toronto Iron of any leasehold premises, for the time being demised, as aforesaid, upon trust to assign and dispose thereof as the Holder shall direct subject always to the rights of the holders of the Prior Debentures; and upon any sale of the leasehold premises, or any part thereof, the Holder, for the purpose of vesting the

aforesaid reversion of any such term or any renewal thereof in any purchaser or purchasers thereof, shall be entitled by deed or writing to appoint such purchaser or purchasers or any other person or persons a new trustee or trustees of the aforesaid reversion of any such term or renewal thereof in the place of Toronto Iron and to vest the same accordingly in the new trustee or trustees so appointed freed and discharged from any obligation respecting the same, subject as aforesaid.

7. The principal, interest and other moneys hereby secured shall become immediately due and payable and the security hereby constituted shall become enforceable in each and every of the following events of default:

- (a) if Toronto Iron makes default in payment of the principal of this Debenture or any Prior Debenture or of any interest hereon or thereon or makes default in the observance or performance of some other thing hereby or thereby required to be done or some covenant or condition hereby or thereby required to be observed or performed;
- (b) if a resolution is passed or an order is made for the winding up of Toronto Iron;
- (c) if Toronto Iron ceases or threatens to cease to carry on its business or if Toronto Iron makes or agrees to make a bulk sale of its assets or if Toronto Iron commits or threatens to commit any act of bankruptcy or if Toronto Iron becomes insolvent or bankrupt or makes an authorized assignment;
- (d) if any proceedings with respect to Toronto Iron are commenced under the Companies' Creditors Arrangement Act;
- (e) if any execution, sequestration, extent or any other process of any Court becomes enforceable against Toronto Iron or if a distress or analogous process is levied upon the property and assets of Toronto Iron or any part thereof;
- (f) if Toronto Iron shall permit any sum which has been admitted or not disputed by Toronto Iron to be due by it and which forms or is capable of being made a charge upon any of the property and assets subject to the security created by this Debenture in priority to or *pari passu* with or subordinate to the security created by this Debenture, saving always any sums for the payment of which the Prior Debentures have respectively been given as collateral security, to remain unpaid for thirty (30) days after proceedings shall have been taken to enforce the same as such charge in priority to or *pari passu* with or subordinate to the security created by this Debenture;
- (g) if Toronto Iron makes default in the payment or discharge of any indebtedness or liability to the Holder when due whether secured hereby or not or in any condition or covenant required to be observed or performed under the Holder's Agreements;
- (h) if any bank demands payment of any amounts now or hereafter owed by Toronto Iron to it or withdraws in whole or in part any line of credit now or hereafter provided to Toronto Iron;
- (i) if any action is commenced by any person against the Holder in respect of any obligation or liability of Toronto Iron to the Holder; and
- (j) if the net working capital of Toronto Iron, computed by the Treasurer of Toronto Iron in accordance with generally accepted accounting principles consistently applied (but excluding as current liabilities all accounts owing by Toronto Iron to the Holder and secured hereby) is less than \$2,000,000 at any time.

8. The principal, interest and other moneys hereby secured shall become immediately due and payable and the security hereby constituted shall become enforceable if and when the Holder, by notice in writing to Toronto Iron, declares any of the following events to be an event of default:

- (a) if a petition in bankruptcy is filed against Toronto Iron or if an application is made for an order to wind up Toronto Iron;
- (b) if any of the present directors and Senior Officers of Toronto Iron shall resign or be removed as a director or officer or The Clarkson Company Limited shall for any reason cease to act as financial adviser to Toronto Iron without the written approval of the Holder; and
- (c) if the joint trustees of the Estate of Wimco Industries (Eastern) Limited, a bankrupt, shall have ceased to own beneficially, either free of encumbrance or with a right of redemption if subject to encumbrance, not less than fifty-one per cent (51%) of the outstanding shares in the capital of Toronto Iron or shall have sold or otherwise disposed of any shares of Toronto Iron held by them free from encumbrance, in either event without the written approval of the Holder.

17. As used herein and for the purposes hereof:

- (a) "*Subsidiaries*" means Wimco Steel Sales Co. Limited and TIW Western Limited;
- (b) "*real and immoveable property*" and "*lands*" include any interest or right in respect of any real or immoveable property;
- (c) "*Permitted Encumbrances*" means as of any particular time any of the following encumbrances on property of Toronto Iron:
 - (i) liens for taxes, assessments or governmental charges not at the time due and delinquent or the validity of which is being contested at the time in good faith by Toronto Iron;
 - (ii) the lien of any judgment rendered, or claim filed, against Toronto Iron which Toronto Iron shall be contesting in good faith and in respect of which there shall have been deposited cash in an amount sufficient to pay such judgment or claim, or a surety bond, in an amount sufficient for payment;
 - (iii) undetermined or inchoate liens and charges incidental to construction or current operation which have not at such time been filed pursuant to law against Toronto Iron or which relate to obligations not due or delinquent;
 - (iv) easements or rights in land granted to public utilities, railways and/or to any governmental department or governmental agency or municipality which, in the opinion of Counsel for Toronto Iron, will not in the aggregate materially impair the use of the land concerned for the purpose for which it is held;
 - (v) the encumbrance resulting from the deposit of cash or securities in connection with contracts, tenders or expropriation proceedings, or to secure workmen's compensation, surety or appeal bonds, costs of litigation when required by law and public and statutory obligations;
 - (vi) the exceptions and qualifications contained in The Land Titles Act of Ontario; and
 - (vii) minor title defects or encumbrances which do not materially affect use or occupancy by Toronto Iron;
- (d) "*Senior Officer*" means the President, any Vice-President, the Secretary or the Treasurer of Toronto Iron;
- (e) "*Holder's Agreements*" means the two Agreements each dated the day of February, 1970 made between the Holder and Toronto Iron, providing respectively for, inter alia, the extension of the time for payment of certain indebtedness by Toronto Iron to the Holder and the pledge of this Debenture as security therefor.

18. Any demand or notice to be made or given by the Holder in connection with this Debenture shall be in writing and shall be made or given by delivering the same manually or by mailing the same by prepaid registered post to Toronto Iron at 629 Eastern Avenue, Toronto, Ontario, or to such other address as Toronto Iron may from time to time designate in writing to the Holder. Any demand or notice so made or given by mailing the same by prepaid registered post shall be deemed to have been received by Toronto Iron on the next business day following such mailing.

19. This Debenture and all its provisions shall enure to the benefit of the Holder, its successors and assigns, and shall be binding upon Toronto Iron, its successors and assigns.

IN WITNESS WHEREOF Toronto Iron has caused its corporate seal to be hereunto affixed and this Debenture to be signed by its proper officers the day of February, 1970.

THE TORONTO IRON WORKS, LIMITED

C.S.

SCHEDULE "A"

To the Debenture of The Toronto Iron Works,
Limited in favour of The Algoma Steel Corporation,
Limited dated the day of February, 1970.

CITY OF TORONTO

FIRSTLY

ALL AND SINGULAR that certain parcel or tract of land and premises situate, lying and being in the City of Toronto, in the County of York and Province of Ontario, being composed of Lots 4 and 5 according to a Plan filed in the Registry Office for the Registry Division of Toronto as Number D-81, part of Lot 12 in the Broken Front Concession of the original Township of York, and parts of the Water Lots in front of the said Lot 12, the boundaries of the said parcel of land being described as follows:

COMMENCING at the north-westerly angle of the said Lot 4, being a point in the southerly limit of Eastern Avenue, distant Four hundred and ninety-two feet Three and one-half inches ($492'3\frac{1}{2}"$) more or less measured easterly thereon from the westerly limit of the said Lot 12;

THENCE Southerly along the westerly limit of the said Lot 4, and continuing along the production southerly thereof, in all a distance of Nine hundred and seventy-five feet Eleven inches ($975'11"$) to the point of intersection thereof with the northerly limit of Lake Shore Boulevard East;

THENCE Easterly along the said northerly limit of Lake Shore Boulevard East, being also the northerly limit of marsh lands conveyed to the City of Toronto by patent dated May 8, 1880, a distance of Six hundred and fifty feet Ten inches ($650'10"$) more or less to the point of intersection thereof with a line drawn parallel to the easterly limit of the said Lot 12, and distant Two hundred and twenty-two feet Nine inches ($222'9"$) westerly therefrom, measured on a course at right angles thereto;

THENCE Northerly along the last mentioned parallel line, a distance of Five hundred and eleven feet ($511'0"$) more or less to a point therein, distant Two hundred and eighty feet ($280'0"$) measured southerly thereon from the said southerly limit of Eastern Avenue;

THENCE Westerly parallel to the said southerly limit of Eastern Avenue, a distance of Sixty-four feet One inch ($64'1"$);

THENCE Northerly along a line drawn parallel to the said easterly limit of Lot 12, a distance of Fifteen feet ($15'0"$) more or less to a point therein distant Two hundred and sixty-five feet ($265'0"$) measured southerly thereon from the said southerly limit of Eastern Avenue;

THENCE Westerly parallel to the said southerly limit of Eastern Avenue, and being along the southerly limit of lands included in a parcel filed in the Land Titles Office at Toronto as Number 36, Section Q, a distance of One hundred and seventy-two feet Eleven inches ($172'11"$) to a line drawn parallel with the westerly limit of Lot 5 through a point in the said southerly limit of Eastern Avenue, distant Two hundred and forty-eight feet ($248'0"$) measured easterly thereon from the westerly limit of Lot 5 aforesaid;

THENCE Northerly along the last mentioned parallel line, and being along the westerly limit of the lands included in the said parcel 36, Section Q, a distance of Two hundred and sixty-five feet ($265'0"$) to the said southerly limit of Eastern Avenue;

THENCE Westerly along the said southerly limit of Eastern Avenue, a distance of Three hundred and eighty feet ($380'0"$) more or less to the said point of commencement.

SECONDLY

ALL AND SINGULAR that certain parcel of land registered under The Land Titles Act as parcel 36 in the Register for Section "Q" Toronto situate in the City of Toronto in the County of York and Province of Ontario namely: That part of lot 12 in the Broken Front Concession of the Township of York, described as follows:

COMMENCING at a point in the South side of Eastern Avenue 248 feet Easterly from the limit between lots 4 and 5 according to Plan D-81 and which point is the Easterly limit of the land conveyed by Edward Blong to one George S. Watt by Deed dated 23rd July 1889 and duly registered;

THENCE Easterly along the Southern limit of Eastern Avenue 164 feet 10 inches more or less to a fence which is the Westerly boundary of the land formerly belonging to one Caroline Leslie wife of George Leslie, Nurseryman;

THENCE Southerly along said fence and prolongation thereof 265 feet more or less to the Water's edge;

THENCE Westerly parallel with Eastern Avenue 164 feet 10 inches more or less to the Easterly limit of said Watt's land;

THENCE Northerly along the said Easterly limit of the said Watt's land 265 feet more or less to the place of beginning.

THIRDLY

ALL AND SINGULAR that certain parcel or tract of land and premises situate lying and being in the City of Toronto, in the County of York and Province of Ontario, being composed of part of Lot 5 on the south side of Eastern Avenue according to a plan filed in the Registry Office for the Registry Division of Toronto as D-81, and part of the water lot in front of the said Lot 5, the boundaries of the said parcel being described as follows:

COMMENCING at the north-westerly angle of the said lot 5;

THENCE easterly along the northerly limit of the said lot, being along the southerly limit of Eastern Avenue, 10.00 feet;

THENCE southerly parallel to the westerly limits of the said lot 5, and water lot, a distance of 940.00 feet, more or less, to the northerly limit of Lake Shore Boulevard East;

THENCE westerly along the said northerly limit of Lake Shore Boulevard East 10.44 feet, more or less, to the westerly limit of the said water lot;

THENCE northerly along the said westerly limits of water lot and lot 5, to the point of commencement.

RESERVING UNTO the Corporation of the City of Toronto its successors and assigns, an easement or rights in the nature of an easement or license to operate, maintain, repair, reconstruct, enlarge or renew a sewer in, over, along and upon the hereinbefore described parcel of land. AND SUBJECT TO THE RESTRICTIONS set forth in a Deed between the said Corporation and The Toronto Iron Works, Limited dated June 5, 1969 and registered in the Registry Office for Registry Division of the City of Toronto on the 16th day of January, 1970 as Instrument Number 66897 E.S.

SCHEDULE "B"

To The Debenture of The Toronto Iron Works,
Limited in favour of The Algoma Steel Corporation,
Limited dated the day of February, 1970.

TOWN OF TRENTON

FIRSTLY

All and Singular that certain parcel or tract of land and premises situate lying and being in the Town of Trenton, in the County of Hastings in the Province of Ontario (formerly in the Township of Murray) and being composed of part of Lot 2 in Concession II of the said Township of Murray as shown on a Plan registered in the Registry Office for the Registry Division of the said County of Hastings as No. 240 and Lots Nos. 205 to 233 (both inclusive), 248 to 276 (both inclusive), 301 to 329 (both inclusive), 344 to 372 (both inclusive), 397 to 425 (both inclusive) and 440 to 468 (both inclusive) all as shown on a Plan registered in the said Registry Office as No. 451, together with parts of Baker Avenue, Fairbairn Avenue (sometimes called Fairburn Avenue) Elizabeth Avenue, Ramsay Avenue and West Street as shown on the said Plan No. 451, the whole being more particularly described as follows:

COMMENCING at the intersection of the southerly limit of Creelman Avenue with the easterly limit of West Street where an iron bar has been planted;

THENCE south 70° 43' west following the westerly production of the southerly limit of Creelman Avenue a distance of 450 feet, more or less, to a point;

THENCE north 18° 29' west parallel to the easterly limit of West Street a distance of 1648 feet, more or less, to a point;

THENCE north 70° 43' east and passing through an iron bar planted in the easterly limit of West Street a distance of 1248 feet, more or less, to the westerly limit of Leonard Avenue where an iron bar has been planted;

THENCE south 18° 34' east following the westerly limit of Leonard Avenue and passing through the original iron bar planted in the northerly limit of Creelman Avenue a distance of 1648 feet, more or less, to the southerly limit of Creelman Avenue;

THENCE south 70° 43' west following the southerly limit of Creelman Avenue a distance of 786 feet 6 inches, more or less, to the place of beginning.

AND TOGETHER WITH such right of way of such width and in such location, in, over, through or upon any and such of the lands hereinafter described, all as the Canadian National Railway Company may find necessary for the laying and maintaining of tracks, sidings, spurs or other railway connections suitable or required to provide railway freight delivery or shipments to or from any industry located or that may locate and establish business upon the lands hereinbefore described or any part thereof;

The lands which are subject to the right of way mentioned above are ALL AND SINGULAR that certain parcel or tract of land situate, lying and being in the said Township of Murray and now in the said Town of Trenton and being composed of parts of Lots 1, 2 and 3 in Concession II of the said Township of Murray, Lots 3, 4 and 5 lying north of Bocage Street and south of Murray Street, parts of Bocage Street and Murray Street and the road allowance between Lots 2 and 3 in Concession II of the said Township of Murray, all as shown on the said Plan No. 240, and Lots 13 to 48 inclusive, 49 to 84 inclusive, 109 to 144 inclusive, 145 to 180 inclusive, 234 to 240 inclusive, 241 to 247 inclusive, 330 to 336 inclusive, 337 to 343 inclusive, 426 to 432 inclusive and 433 to 439 inclusive, Oswald Avenue and parts of McNicholl Avenue, Leonard Avenue, Elizabeth Avenue, Ramsay Avenue, West Street, Creelman Avenue, Fairbairn Avenue (sometimes called Fairburn Avenue) and Baker Avenue all as shown on the said Plan No. 451, the whole being more particularly described as follows:

COMMENCING at a point in the westerly limit of Sidney Street where such westerly limit is intersected by the southerly limit of a travelled road running along and contiguous to the southerly limit of the Grand Trunk Railway right of way, which travelled road is 59 feet wide measured at right angles to the southerly limit of the said Grand Trunk Railway right of way;

THENCE south 18° 34' east following the westerly limit of Sidney Street a distance of 2577.6 feet, more or less, to the southerly limit of Creelman Avenue;

THENCE south 70° 43' west following the southerly limit of Creelman Avenue a distance of 556 feet 6 inches, more or less, to where such southerly limit would be intersected by the southerly production of the westerly limit of Leonard Avenue;

THENCE north 18° 34' west following the southerly production of the westerly limit of Leonard Avenue and the westerly limit of Leonard Avenue a distance of 1648 feet, more or less, to where such westerly limit is intersected by the northerly limit of Lot No. 233 as shown on the said Plan No. 451, where an iron bar has been planted;

THENCE south 70° 43' west and passing through an iron bar planted in the easterly limit of West Street a distance of 998 feet, more or less, to where an iron bar has been planted;

THENCE south 18° 29' east a distance of 1648 feet, more or less, to where an iron bar has been planted in the westerly production of the southerly limit of Creelman Avenue;

THENCE north 70° 43' east following the westerly production of the southerly limit of Creelman Avenue a distance of 200 feet, more or less, to where an iron bar has been planted at the intersection of the southerly limit of Creelman Avenue with the easterly limit of West Street, which easterly limit of West Street is the line between Lots 1 and 2 in Concession II in the said Township of Murray;

THENCE south 18° 29' east following the easterly limit of West Street a distance of 600 feet, more or less, to the northerly limit of Murray Street;

THENCE westerly following the northerly limit of Murray Street a distance of 40 feet to the westerly limit of West Street;

THENCE south 18° 29' east a distance of 395 feet, more or less, to a point in the southerly limit of Lot 3 lying north of Bocage Street and south of Murray Street as shown on the said Plan No. 240;

THENCE south 34° 52' west following the south-easterly limit of the said Lot 3 and such south-easterly limit produced a distance of 959.5 feet, more or less, to a point distant 40 feet measured south-westerly along such south-easterly limit produced from the north-easterly limit of Bocage Street;

THENCE north-westerly in a straight line parallel to the north-easterly limit of Bocage Street and the north-westerly production of such north-easterly limit and distant 40 feet measured at right angles therefrom a distance of 2006 feet, more or less, to a point in the easterly bank of the River Trent;

THENCE north 21° 58' east 750 feet, more or less, along the easterly bank of the River Trent to a point;

THENCE north 11° 50' west a distance of 313.6 feet, more or less, to the intersection of the easterly bank of the River Trent with the southerly limit of the Trent Canal Expropriation;

THENCE north 88° 47' east a distance of 126.78 feet, more or less, to a point distant 32 feet 1 inch measured easterly at right angles from the easterly face of the old building of the Trent Power Company and distant 2 feet measured northerly at right angles from the northerly face of such building;

THENCE north 24° 50' east a distance of 322 feet, more or less, to a point;

THENCE north 4° 10' east a distance of 722.3 feet, more or less, to a point in the southerly limit of the travelled road mentioned above running along and contiguous to the southerly limit of the Grand Trunk Railway right of way;

THENCE north 49° 39' east along the southerly limit of the said travelled road a distance of 2372.45 feet, more or less, to the place of beginning.

SAVING AND EXCEPTING thereout and therefrom the following lands:

- (a) ALL AND SINGULAR those certain parcels or tracts of land and premises situate lying and being in the Town of Trenton, in the County of Hastings and Province of Ontario, and being composed of the hereinafter described parts of Streets and Avenues all situate and contained in the Patricia Park Plan being registered Plan Number 451 for the Town of Trenton —

- (i) Creelman Avenue from the east limit of West Street to the west limit of Leonard Avenue; and
 - (ii) West Street from the northerly limit of Murray Street produced westerly across West Street to the northerly boundary of Lot 466 extended westerly across West Street.
- (b) ALL AND SINGULAR that certain parcel or tract of land and premises situate, lying and being in the Town of Trenton, in the County of Hastings and being composed of what was formerly Lot 2 in Concession II of the Township of Murray in the County of Northumberland, and which said parcel of land is more particularly described as follows:

COMMENCING where a survey post has been planted on the northwest angle of Lot 466 according to Plan registered as No. 451;

THENCE S 70° 32' W a distance of 40 feet to an iron bar planted in the continuation northerly of the west limit of West Street, which said point is hereinafter referred to as the point of commencement;

THENCE continuing S 70° 32' W. 410 feet to a survey post planted;

THENCE S 18° 31' E, 216 feet to a survey post planted;

THENCE N 70° 32' E a distance of 410 feet to an iron bar planted in the westerly limit of the continuation northerly of West Street;

THENCE N 18° 31' W along the continuation of the said westerly limit of West Street 216 feet to the point of commencement.

TOGETHER WITH a right of way at all times in common with others entitled thereto over, along and upon the 40 foot strip of land now being used as a roadway and lying west of and immediately adjacent to the west limit of registered Plan 451 and extending northerly from Murray Street to the extension westerly of the north limit of Lot 466 according to said Plan 451;

WHICH said parcel of land and right of way are more particularly described in a Deed from Central Bridge Company Limited to The Public Utilities Commission of the Town of Trenton registered February 28, 1955 in the Registry Office for the Registry Division of the County of Hastings as No. 3624.

SECONDLY

ALL AND SINGULAR that certain parcel or tract of land and premises, situate, lying and being in the Town of Trenton in the County of Hastings and being composed of what was formerly Lot 2 in Concession II of the Township of Murray in the County of Northumberland and which said parcel is more particularly described as follows:

COMMENCING where a survey post has been planted defining the southeast angle of the said parcel and being distant 450 feet measured S 70° 32' W from a survey post planted in the east limit of the continuance northerly of West Street and being the northwest angle of Lot 466 according to registered Plan 451;

THENCE S 70° 32' W, 216 feet to a survey post planted;

THENCE N 18° 31' W, 1432 feet to a survey post planted;

THENCE N 70° 32' E, 216 feet to a survey post planted;

THENCE S 18° 32' E, 1432 feet to the point of commencement;

WHICH SAID parcel of land is more particularly described in a Deed from The Public Utilities Commission of the Town of Trenton to Central Bridge Company Limited, registered March 1, 1955 in the Registry Office for the Registry Division of the County of Hastings as Instrument Number 3627.

**SCHEDULE B
TO
INFORMATION CIRCULAR**

AGREEMENT dated as of day of February, 1970.

BETWEEN:

THE TORONTO IRON WORKS, LIMITED, a Company incorporated under the laws of the Province of Ontario, having its head office in the City of Toronto, in the said Province (hereinafter called the "Toronto Iron")

OF THE FIRST PART

—and—

LAWRENCE R. WRIGHT, WILLIAM P. PETRIE, BENTON DIXON, HARRY JOHNSTON, GEORGE B. KIMPTON and JOHN B. CLEMENTS, all of the Municipality of Metropolitan Toronto (hereinafter collectively called the "Officers and Directors")

OF THE SECOND PART

WHEREAS on the 29th day of December, 1967, a petition for a receiving order was filed against Toronto Iron by British Motor Holdings Canada Limited and contemporaneously therewith The Clarkson Company Limited was appointed interim receiver of the property of Toronto Iron pursuant to Section 24 of the Bankruptcy Act; and

WHEREAS by order dated the 29th day of May, 1968 of the Supreme Court of Ontario in Bankruptcy, The Clarkson Company Limited as interim receiver of the property of Toronto Iron was authorized to provide indemnification and security to certain officers and directors of Toronto Iron; and

WHEREAS The Clarkson Company Limited as interim receiver of the property of Toronto Iron entered into an agreement dated as of the 14th day of August, 1968 with the Officers and Directors whereby indemnification was provided to them to the same effect as set forth in paragraph 1 hereof; and

WHEREAS by interim receiver's certificate No. 22 dated the 14th day of August, 1968, in the principal amount of \$200,000, the property of Toronto Iron was charged in favour of the Officers and Directors by the interim receiver in accordance with the said agreement hereinbefore recited; and

WHEREAS the Officers and Directors have agreed with Toronto Iron to replace the said agreement and interim receiver's certificate and the security therefor hereinbefore recited by this Indenture and the security provided for hereunder, on condition that the order terminating the appointment of the interim receiver hereinafter recited is obtained; and

WHEREAS by order of the Supreme Court of Ontario in Bankruptcy dated the day of February, 1970 the aforementioned petition for a receiving order has been dismissed and the appointment of The Clarkson Company Limited as interim receiver has been terminated;

NOW THEREFORE WITNESSETH that for the considerations hereinafter indicated Toronto Iron and the Officers and Directors hereby undertake and agree as follows:

1. Toronto Iron shall and does hereby indemnify and hold harmless the Officers and Directors from and against any and all manner of actions, causes of action, suits, debts, dues, claims and demands of whatsoever nature or kind for which claim in writing is made against any of the Officers and Directors within six years from the 14th day of August, 1968 arising out of or in any way connected with any act or omission which the Officers and Directors or any of them performed or failed to perform during the period from and including the 29th day of December, 1967 to and including the date hereof to facilitate the execution or

completion of transactions of sales of assets of Toronto Iron or any other act or deed requested by The Clarkson Company Limited, including, without limitation, the transactions respecting the sale of certain assets of Toronto Iron to Westeel-Rosco Limited and Canadian Phoenix Steel & Pipe Co. Limited, together with all legal costs and fees and reasonable disbursements in connection with the defence of any such claim or claims, provided notice in writing of such claims is delivered to Toronto Iron prior to the 1st day of September, 1974; such indemnification to be in addition to the indemnification provided to the Officers and Directors under the by-laws of Toronto Iron.

2. As security for the performance on the part of Toronto Iron under and in respect of the obligations of Toronto Iron under paragraph 1 hereof, Toronto Iron, to the extent of \$200,000 in the aggregate, hereby:

- (a) mortgages and charges to and in favour of the Officers and Directors, as and by way of a fixed and specific mortgage and charge, all real and immoveable property (including leasehold lands, but subject to the reservation contained in paragraph 6 hereof) now or hereafter owned or acquired by Toronto Iron, including all buildings, erections, improvements, fixtures, machinery, equipment and plant presently situate thereon or which may at any time hereafter be constructed or brought or placed thereon, or used in connection therewith, and including without limiting the generality of the foregoing, the lands described in Schedules "A" and "B" hereto, and all issued and outstanding shares now or hereafter owned or acquired by Toronto Iron in the capital of the Subsidiaries and any indebtedness of the Subsidiaries to Toronto Iron including the evidence thereof and any security therefor, and the benefit of all insurance and claims for insurance effected or held for the protection of Toronto Iron in respect of all or any part of the foregoing; the said real and immoveable property, shares, indebtedness and insurance as aforesaid hereby mortgaged and charged as and by way of a fixed and specific mortgage and charge being sometimes hereinafter referred to as the "mortgaged premises"; and
- (b) charges in favour of the Officers and Directors, as and by way of a floating charge, its undertaking and all its property and assets, real and personal, moveable and immoveable, of whatsoever nature and kind, both present and future (other than property and assets hereby validly subjected to a fixed and specific mortgage and charge) including, without limiting the generality of the foregoing, its goodwill and uncalled capital; the said undertaking, property and assets charged as and by way of a floating charge being sometimes hereinafter referred to as the "charged premises"; provided that such floating charge shall in no way hinder or prevent Toronto Iron (until Toronto Iron shall be in default in any payment of principal and/or interest hereby secured or until the security hereby constituted shall have become enforceable and proceedings shall have been taken to enforce the same) from pledging, selling, alienating, assigning, charging, disposing of or dealing with the subject matters of such floating charge in the ordinary course of its business as at present conducted and for the purpose of carrying on the same, provided that any such action is not in breach of any express provision herein contained and Toronto Iron covenants that it will not take any such action which is in breach of any express provision herein contained, and provided further that such floating charge shall in no way hinder or prevent Toronto Iron from pledging, assigning or giving security or securities (whether by way of floating charge or otherwise) on the subject matters of such floating charge to any bank or banks under the Bank Act of Canada or otherwise for present or future debts or liabilities of Toronto Iron to such bank or banks and that any such pledge, assignment, security or securities (whether given before or after the execution and delivery of this Agreement) shall rank in priority to the floating charge hereby created.

Notwithstanding any provisions of this Agreement, this Agreement and the security hereby constituted shall be and are hereby subordinated and made subject in all respects to \$1,500,000 aggregate principal amount of the Series A Debentures of Toronto Iron held by the Bank of Montreal and the Bank of Nova Scotia and the \$3,000,000 collateral security of Toronto Iron held by Western Surety Company, all dated as of the date hereof (herein called the "Prior Debentures") so that in the event the security hereby constituted becomes enforceable all amounts payable hereunder and the security hereby constituted shall rank after and junior to the principal, interest and all other moneys payable under the Prior Debentures and the respective securities constituted thereunder as and by way of fixed and specific mortgages and charges on the mortgaged premises and floating charges on the charged premises, and the respective holders of the Prior Debentures shall receive the full amounts to which they are respectively entitled thereunder before any amount shall be paid or any property and assets of Toronto Iron shall be distributed to the Officers and Directors.

3. Toronto Iron hereby covenants and agrees that it will at all times do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered any and all such further acts, deeds, mortgages, hypothecs, transfers, assignments and assurances in law as the Officers and Directors may require for the better assuring, mortgaging, hypothecating, charging, transferring, assigning and confirming unto the Officers and Directors, the property and assets hereby mortgaged and charged in accordance with and subject to the terms hereof or intended so to be or which Toronto Iron may hereafter become bound hereunder to mortgage, hypothecate, transfer, assign and charge in favour of the Officers and Directors and or the better accomplishing and effectuating of this Agreement.

4. Toronto Iron shall not and hereby covenants that so long as this Agreement shall be outstanding it will not hereafter, without the consent in writing of the Officers and Directors first had and received;

- (a) create, assume or suffer to exist any mortgage, hypothec, deed of trust, pledge, encumbrance, lien or charge of any kind (including the charge upon property purchased under conditional sales or other title retention agreements) upon any of its property or assets whether now owned or hereafter acquired other than Permitted Encumbrances and the respective securities respectively constituted by the Prior Debentures and this Agreement and the Subsequent Debentures, or except as permitted under subparagraph (b) of paragraph 2 hereof; or
- (b) sell or dispose of all or any part of the mortgaged premises, or sell or dispose of all or any part of the charged premises except as permitted under subparagraph (b) of paragraph 2 hereof.

5. Toronto Iron hereby covenants and agrees with the Officers and Directors that so long as this Agreement shall be outstanding:

- (a) it will insure and keep insured the buildings, erections, improvements, machinery and all other assets hereby mortgaged and charged against loss or damage by fire and other insurable hazards against which such several assets are commonly insured in the Province of Ontario, to at least 80% of the insurable value thereof and will include the Officers and Directors as their interests may appear in all insurance policies forming part of the mortgaged premises;
- (b) it will keep the mortgaged premises in good condition and repair according to the nature and description thereof, and that the Officers and Directors may, whenever they deem necessary, either in person or by agent, enter upon and inspect the said premises;
- (c) it will pay or cause to be paid all rents, taxes, rates, levies or assessments, ordinary or extraordinary, government fees, dues or other obligations to pay money validly levied, assessed or imposed upon it or upon the mortgaged premises or the charged premises or any part thereof as and when the same become due and payable, save and except when and so long as the validity of any such rents, taxes, rates, levies, assessments, fees, dues or obligations to pay, is in good faith contested by Toronto Iron, and that it will exhibit when required the receipts and vouchers establishing such payment and will duly observe and conform to all valid requirements of any governmental or municipal authority relative to any of the mortgaged premises or charged premises and all covenants, terms and conditions upon or under which any of such premises are held;
- (d) it will fully and effectually maintain and keep maintained the security hereby constituted as a valid and effective security at all times;
- (e) subject to the terms hereof, it will do, observe and perform or cause to be done, observed and performed all of its obligations and all matters and things necessary or expedient to be done, observed and performed by virtue of any law of Canada or any province or municipality thereof, and will do observe and perform all the obligations hereby imposed upon it;
- (f) it will do, observe and perform all of its obligations and all matters and things necessary or expedient to be done, observed or performed under or by virtue of any lease, operating agreement, licence or other contract which may at any time form part of the mortgaged premises or charged premises or is appurtenant thereto, so long as the same is, in the opinion of the directors of Toronto Iron, of commercial value, in order to preserve and maintain all of the rights of Toronto Iron thereunder and that it will not suffer or permit any default for which any such lease, operating agreement, licence or contract might be terminated or for which any other party thereto might be

relieved of any of its obligations thereunder or for which any obligations of any such party thereunder might be reduced, but on the contrary will exercise and enforce from time to time all its rights and remedies thereunder; and

- (g) if and whenever from time to time Toronto Iron shall be entitled to obtain a renewal or renewals of any leases, licences, concessions, franchises or agreements forming part of the mortgaged premises or charged premises or appurtenant thereto or to obtain any new lease or leases of any premises leased to it forming part of the mortgaged premises or charged premises or appurtenant thereto or to obtain any new licences, concessions, franchises or agreements, Toronto Iron will from time to time duly exercise or cause to be exercised every such right of renewal, if it shall deem the same to be of value to its operations, and will obtain or cause to be obtained such new leases, licences, concessions, franchises or agreements for the longest time or times, if advantageous, and upon the most favourable terms obtainable, including all rights of further renewal; provided always that the inadvertent failure to obtain any such renewal or such new leases, licences, concessions, franchises or agreements shall not constitute a breach of this covenant.

6. The last day of any term of years reserved by any lease, verbal or written, or any agreement therefor, now held or hereafter acquired by Toronto Iron is hereby excepted out of any mortgage or charge created hereby or by any other instrument supplemental hereto and does not and shall not form part of the property hereby or by any such other instrument mortgaged or charged so as to be charged with the moneys intended to be secured hereby, but Toronto Iron shall stand possessed of the reversion remaining in Toronto Iron of any leasehold premises, for the time being demised, as aforesaid, upon trust to assign and dispose thereof as the Officers and Directors shall direct subject always to the rights of the holders of the Prior Debentures; and upon any sale of the leasehold premises, or any part thereof, the Officers and Directors, for the purpose of vesting the aforesaid reversion of any such term or any renewal thereof in any purchaser or purchasers thereof, shall be entitled by deed or writing to appoint such purchaser or purchasers or any other person or persons a new trustee or trustees of the aforesaid reversion of any such term or renewal thereof in the place of Toronto Iron and to vest the same accordingly in the new trustee or trustees so appointed freed and discharged from any obligation respecting the same, subject as aforesaid.

7. If the security hereby constituted shall become enforceable, the Officers and Directors may by instrument in writing appoint any person or persons to be a receiver or receivers of all or any part of the mortgaged premises and/or the charged premises subject always to the Prior Debentures and the respective securities constituted thereunder, and may remove any receiver or receivers so appointed and may appoint another or others in his or their stead. Any such receiver shall, so far as concerns responsibility for his acts, be deemed the agent of Toronto Iron and in no event the agent of the Officers and Directors, and the Officers and Directors shall not be in any way responsible for any misconduct, negligence or nonfeasance on the part of any such receiver and, subject to the Prior Debentures and the securities constituted thereunder and the provisions of the instrument appointing such receiver, any such receiver or receivers so appointed shall have power to take possession of the mortgaged premises and/or the charged premises or any part thereof and to carry on or concur in carrying on the business of Toronto Iron and to sell or concur in selling all or any part of the mortgaged premises and the charged premises. The rights and powers conferred by this paragraph are in supplement of and not in substitution for any rights or powers the Officers and Directors may from time to time have as directors or officers of Toronto Iron, and every such receiver may in the discretion of the Officers and Directors be vested with all or any of the rights and powers of the Officers and Directors. The term "receiver" as used in this paragraph includes a receiver and manager.

8. Subject to the Prior Debentures and the securities constituted thereunder, if the security hereby constituted shall become enforceable, the Officers and Directors may, either before or after any entry, sell and dispose of or lease the mortgaged premises and the charged premises, either as a whole or in separate parts at a public auction or by tender or by private contract at such time or times as the Officers and Directors may determine, and may make such sale, either for cash or part cash and part credit, and with or without advertisement, and with or without a reserve bid as the Officers and Directors may deem proper, and the Officers and Directors may also rescind or vary any contract of sale that may have been entered into and resell with or under any of the powers conferred hereunder and adjourn any such sale from time to time and may execute and deliver to the purchaser or purchasers of the said property or any part thereof good and sufficient deed or deeds for the same, each of the Officers and Directors being hereby constituted the irre-

vocable attorney of Toronto Iron for the purpose of making such sale and executing such deeds, and any such sale made as aforesaid shall, subject to the Prior Debentures and the respective securities constituted thereunder, be a perpetual bar both in law and in equity against Toronto Iron and all other persons claiming the said property or any part thereof, by, from, through or under Toronto Iron.

9. Toronto Iron agrees to pay to the Officers and Directors forthwith upon demand all costs, charges, and expenses (including legal fees on a solicitor and client basis) of or incurred by the Officers and Directors hereafter in connection with this Agreement, or the mortgaged premises or the charged premises or any part thereof, or the recovery or enforcement of payment of any of the moneys owing hereunder, including all such costs, charges and expenses in connection with taking possession, protecting, preserving, collecting or realizing upon any part of the mortgaged premises or the charged premises, together with interest thereon at the rate provided in paragraph 11 hereof from the date of incurring such costs, charges and expenses.

10. Any amounts hereby secured will be payable and shall be assignable free from any right of set-off or counterclaim between Toronto Iron and the Officers and Directors.

11. All amounts payable by Toronto Iron to the Officers and Directors under and in respect of obligations of Toronto Iron under paragraph 1 hereof shall, from the date of default of payment thereof by Toronto Iron, bear interest at the rate of $9\frac{1}{2}\%$ per annum until paid.

All payments by Toronto Iron to the Officers and Directors hereunder shall be applied first in payment of any interest due and payable hereunder and the balance shall thereafter be applied on account of any other moneys payable hereunder.

Upon the later of six years from the 14th day of August, 1968 or the final disposition of any claim made against the Officers and Directors or any of them as provided for under paragraph 1 hereof within the said six year period, and provided that Toronto Iron is not in default under this Agreement the Officers and Directors shall, when so requested by and at the expense of Toronto Iron, cancel and discharge the mortgage and charges under this Agreement and execute and deliver all such deeds, reconveyances and other assurances as shall be requisite for such purpose.

12. As used herein and for the purposes hereof:

- (a) "*real and immoveable property*" and "*lands*" include any interest or right in respect of any real or immoveable property.
- (b) "*Permitted Encumbrances*" means as of any particular time any of the following encumbrances on property of Toronto Iron:
 - (i) any indebtedness (whether unsecured or secured, by mortgage, hypothec, charge, vendor's privilege, vendor's lien or other encumbrance of or on the property acquired) representing any unpaid part of, or incurred to provide the whole or any part of, the consideration for the acquisition of any property by Toronto Iron and which is incurred by Toronto Iron by way of creation, issue, guarantee, assumption or otherwise;
 - (ii) liens for taxes, assessments or governmental charges not at the time due and delinquent or the validity of which is being contested at the time in good faith by Toronto Iron;
 - (iii) the lien of any judgment rendered, or claim filed, against Toronto Iron which Toronto Iron shall be contesting in good faith and in respect of which there shall have been deposited cash in an amount sufficient to pay such judgment or claim, or a surety bond, in an amount sufficient for payment;
 - (iv) undetermined or inchoate liens and charges incidental to construction or current operation which have not at such time been filed pursuant to law against Toronto Iron or which relate to obligations not due or delinquent;
 - (v) easements or rights in land granted to public utilities, railways and/or to any governmental department or governmental agency or municipality which, in the opinion of Counsel for Toronto Iron, will not in the aggregate materially impair the use of the land concerned for the purpose for which it is held;

- (vi) the encumbrance resulting from the deposit of cash or securities in connection with contracts, tenders or expropriation proceedings, or to secure workmen's compensation, surety or appeal bonds, costs of litigation when required by law and public and statutory obligations;
- (vii) the exceptions and qualifications contained in The Land Titles Act of Ontario;
- (viii) minor title defects or encumbrances which do not materially affect use or occupancy by Toronto Iron; and
- (ix) any pledge, assignment, security or securities given to any bank or banks as permitted under subparagraph (b) of paragraph 2 hereof;
- (c) "*Subsidiaries*" means Wimco Steel Sales Co. Limited and TIW Western Limited; and
- (d) "*Subsequent Debentures*" means the \$1,500,000 collateral security of Toronto Iron held by The Clarkson Company Limited and the \$ Debenture of Toronto Iron held by The Algoma Steel Corporation, Limited, both dated as of the date hereof.

13. Any demand or notice to be made or given by the Officers and Directors in connection with this Agreement shall be in writing and shall be made or given by delivering the same manually or by mailing the same by prepaid registered post to Toronto Iron at 629 Eastern Avenue, Toronto, Ontario, or to such other address as Toronto Iron may from time to time designate in writing to the Officers and Directors. Any demand or notice so made or given by mailing the same by prepaid registered post shall be deemed to have been received by Toronto Iron on the next business day following such mailing.

14. This Agreement and all its provisions shall enure to the benefit of and be binding upon the Officers and Directors, their heirs, executors and administrators, and upon Toronto Iron and its successors.

15. This Agreement shall not be assignable.

IN WITNESS WHEREOF Toronto Iron and the Officers and Directors have executed this Agreement.

THE TORONTO IRON WORKS, LIMITED

.....

OFFICERS AND DIRECTORS

.....

SCHEDULE "A"

To the Agreement dated as of the day of February, 1970 between The Toronto Iron Works, Limited and Lawrence R. Wright, William P. Petrie, Benton Dixon, Harry Johnston, George B. Kimpton and John B. Clements.

(lands as described on pages numbered 22 and 23 of this information circular)

SCHEDULE "B"

To the Agreement dated as of the day of February, 1970 between The Toronto Iron Works, Limited and Lawrence R. Wright, William P. Petrie, Benton Dixon, Harry Johnston, George B. Kimpton and John B. Clements.

(lands as described on pages numbered 24, 25 and 26 of this information circular)

